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SLUGGISH ECONOMIC GROWTH TO CONTINUE TWO MORE YEARS

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Summary

Tax changes will put more funds in consumer pockets but it will extract even larger sums from corporations in 1987. Although consumer spending in dollar terms may rise, many corporations will pass increased tax cost burdens in the form of higher prices or be forced to cut costs further, thus lowering employment or wage gains. Therefore, predictions of strong consumer activity during the next two years are without foundation. Moreover, some consumer spending will be exhausted by slightly rising prices for petroleum products as compared with declining petroleum product prices in 1986. Unusually rapid rates of growth in consumer durables during the past two years indicate, furthermore, that consumer saturation may exist in durables, clothing, and transportation services. Thus, consumer activity will become much more passive during the next two years after three years of providing significant economic stimulus.

Similarly, residential structures have been growing in excess of potential absorption. Even without tax changes housing would slow during the next two years. When the adverse impact of tax changes upon the construction of rental properties is included, a significant decline in investment for residential structures now is anticipated. Similarly, tax changes will dramatically increase the cost of holding unoccupied commercial properties. As a result, construction should decline sharply. On the other hand, oil and gas exploration, which normally accounts for 20% of spending for other structures, soon should begin recovering. Even so, the construction components of GNP will be entering their own recession early in 1987 and will not emerge from it until near the end of 1988.

Minimal growth also is expected for other capital spending. Truck investment will be declining through 1987 and may be joined by slower growth in business automobiles than in previous years. Other capital goods, however, should slowly rebound in the next two years. Moreover, a larger percentage of capital goods purchased by American investors will be produced in the United States.

While economic conditions will tend to grow more slowly or actually deteriorate for consumption and investment, they should increase significantly for net exports. The dollar has fallen dramatically in value against currencies of other industrialized countries. As a result, the dollar earnings of

investments in those countries should begin increasing sharply. Unfortunately, imports are expected to continue growing. First, the slump in petroleum production in the United States has combined with a significant rebound in petroleum consumption to lead to significant increases in imports of petroleum products. This substantial increase has been partially muted by price declines on those products. In 1987, however, prices of petroleum products are expected to rise modestly. Thus, the dollar value of petroleum imports should be increasing significantly. Second, many import prices other than petroleum have not significantly increased. As a result, the competitive position of American producers in the U.S. market has not materially improved. Nevertheless, a significant expansion in trade activity should provide substantial support for the manufacturing sector and industrial production during the next two years.

Finally, growth in federal government expenditures will be restrained by attempts to prevent government deficits from rising. (Our analysis suggests that Gramm-Rudman targets simply will not be realistic in terms of prevailing economic conditions during the next two years). Thus, federal budgetary policy will provide a smaller amount of economic stimulus than that which was injected during the past year. On the other hand, many state and local governments will receive a tax windfall as a result of the tax changes. Although some governments may reduce tax rates to blunt the impact of more revenues from an expanding tax base, many states are expected to merely collect higher revenues to offset losses from federal funds that tight federal budgetary conditions will generate. Thus, modest real growth in state and local expenditures should persist in the next two years.

While economic activity will continue to sputter, gradually slowing its rate of growth from even relatively anemic 1986 levels, inflation will gradually intensify. In 1987, increased inflation is largely caused by the absence of any further significant declines in prices of petroleum product. By 1988, price increases will be intensified by the impact of a social security tax increase upon labor costs and the prospects that labor pressures will reaccelerate hourly earnings. In other words, the beginning of a new inflationary spiral may be surfacing in 1988.

Because of the weakened state of the economy in 1987, interest rates will continue to gradually decline. Although economic activity will remain relatively subdued in 1988, increasing inflationary pressures will begin to increase interest rate pressures. Interest rates should reach their low point for this cycle early in 1987 and gradually begin drifting upward thereafter.

A sideways economy leads to sideways performance for equity values. Stock market values are expected to show uninteresting movement over much of the forecast period.

Recent Activity and Outlook

After a sluggish spring quarter, the economy showed signs of rebounding during the summer months. Much of the strength was generated by a temporary improvement in trade balances and a more successful incentive program than anticipated for selling automobiles. As a result, bloated auto inventories were removed even as manufacturing activity showed some strength from the improved trade conditions. As inventories in the automobile and other manufacturing sectors are now below normal for current sales levels, increased production should be anticipated through the fourth quarter to rebuild inventory positions.

Investors also hastened to receive shipments of capital goods and hustled to finish construction product to receive more favorable depreciation treatment than contained in the new tax codes. This has resulted in a surge of construction activity and a modest boomlet in capital goods shipments and orders. Unfortunately, both of these activities will begin diminishing before the end of the fourth quarter and will contribute to a significant slowing in the economy early in 1987.

Oil prices continue to fluctuate slightly below $15 per barrel. While inventories are ample, changes in OPEC leadership have led some analysts to speculate that higher prices could prevail for oil product. However, no oil producing country has indicated that they will accept unlimited changes in their own production levels to ensure a given price per oil product, rumored to be $18 per barrel by the Saudi leadership. Unless Saudi Arabia once again is willing to tolerate a significant decline in its oil production to ensure higher oil prices, $18 per barrel cannot be achieved under prevailing world demand and supply conditions for oil. Indeed, oil prices are expected to fall modestly early in 1987 after the winter heating season has ended. Prices then should rebound later in the year and continue rising slowly in 1988.

Nevertheless, the shift in oil product prices from severe declines to little change will add 1.6 percentage points to the prevailing inflation rate. Also adding modestly to inflation in the next two years will be an increase in import prices as a result of further depreciation in the dollar's value. The dollar is expected to fall below 100 on a trade-weighted basis against the currencies of other industrialized nations. Currently, the dollar stands at 108 after declining dramatically from a peak of 164 on this index during the winter of 1985. Import prices are not expected to rise dramatically, but they should rise sufficiently to continue generating improvement in the trade balances and generating modest increases in inflationary pressures.

Offsetting the above increases in inflation will be more modest wage changes in 1987 than in 1986. By 1988, however, another scheduled hefty increase in social security taxes along with intensifying wage pressures should begin the increase in labor costs that occurs in the early stages of a spiraling inflationary cycle.

Congress was able to meet fiscal year 1987 Gramm-Rudman targets by forecasting unusually favorable economic conditions and then establishing budgets consistent with deficit targets associated with such unattainable deficits. Although budgetary restraint will continue to be a significant factor during the next two years despite the recent change in senate leadership, no further attempts are anticipated to implement Gramm-Rudman targets. Indeed, budget deficits will remain near $200 billion during the next two years. Fortunately, the savings desires of Japanese will continue to absorb a significant portion of those increased government debt instruments. As a result, interest rates are not expected to rise significantly, although they will be trending upward after the middle of 1987.

However, these increased foreign holdings of American debt lead to a significant increase in interest earnings sent abroad. Even as trade balances in the United States are anticipated to improve significantly, the current account deficit, which includes earnings on services and portfolio holdings, will show little movement. The current account dictates the magnitude of dollar-based assets that must be held by foreign investors each year. By the

end of 1988, foreign investors are expected to become satiated with American assets. At that time, they will be less willing to accept American paper for their goods. As a result, the dollar is expected to continue falling in value until sufficient shrinkage in trade balances has occurred to significantly reduce the current account deficit. However, this process is not expected to generate meaningful improvement until beyond the forecast period. Thus, foreign investors will continue to be a significant factor in American financial markets and probably will gradually demand higher yields relative to inflation in order to continue investing in the United States. Thus, interest rates should be trending upward late in 1988 and beyond as a result of these trade balance problems.

A listless economy with gradually rising interest rates is not the best environment to make substantial gains on investments. Long-term bonds still might prove to be beneficial in 1987, as capital losses are expected to be negligible while yields are above 7.5% for government bonds and more than 9% for corporate issues. Municipal bonds that were issued prior to the change in definitions on tax-exempt instruments also should do well in 1987. Although some stock groups should perform well, such as the chemicals and paper, overall equity values should show little direction. With tax changes that eliminate the value of capital gains for all but donation purposes, after-tax returns may be most beneficial in high yielding stocks or in longer-term bonds. However, the outlook for 1988 shows some deterioration in bond value, suggesting that a buy and hold strategy will not be beneficial.

In summary, the U.S. economy must continue to absorb the adverse transitional effects from changing tax codes. The construction industry will fall into recession while the improvement in trade balances will only gradually ease the recession in manufacturing. Consumer spending should become much more passive than in the past two years. The recession in energy production should abate in 1987. However, gradually rising inflationary pressures will prevent any significant rebound in economic activity during the forecast period.

Assumptions

Many of the assumptions are contained in table 5 and table 6. In general, most of the increased taxable income that most states will experience as a result of the tax changes was assumed to add to state revenues. As a result, state revenues were approximately $6 billion higher in 1987 and $8 billion higher in 1988 as a result of the tax changes. This largely offset the adverse impact on state and local expenditures from the curtailment of general revenue sharing and the restraint of other grants-in-aid to state and local governments.

The change in federal taxes was incorporated in several ways. First, personal taxes were reduced by $11 billion in 1987 and by an additional $15 billion in 1988. Corporate taxes were increased by slightly smaller amounts as a result of two events. First, the repeal of the investment tax credit meant that more taxes were paid out of taxable corporate income. Second, changes in depreciation schedules and other adjustments led to a narrowing in the over depreciation of capital goods. This led to a widening of the corporate tax base.

Two economic conditions were caused by these tax changes. First, price changes were larger relative to unit labor costs in 1987 and in 1988 than in

earlier years in an attempt to pass on to the consumer some of the increased tax burden. Second, wage pressures were slightly less than normally would prevail for underlying inflation and unemployment conditions in an attempt to control costs. Indeed, productivity is expected to rise modestly in 1987 and 1988 despite the relatively sluggish overall economy.

Although some timing changes were anticipated as a result of changing tax codes, capital spending programs were not expected to be seriously impaired by the tax changes, with the exception of construction product. Tax changes effectively increase the carrying costs of construction inventory, by denying many tax benefits currently available to product that is not generating any income. Rental values are expected to gradually intensify over the next two years as a result of reduced tax benefits for rental properties. However, increased rental inventory guarantees the absence of any significant price increases in 1987. The construction correction in rental property and in commercial activity was intensified by the tax changes.

As contained in table 6, monetary policy is expected to remain fully accommodative through 1987 before becoming slightly restrictive to combat rising inflationary pressures in 1988.

Some other assumptions used in this forecast include the following:

a. OPEC is not expected to develop a concerted strategy to support prices over the next two years. As a result, the average price of oil per barrel is expected to decline to $14.23 in 1987 before rising to $17.13 in 1988. Toward the end of 1987, the recession in oil and gas exploration is expected to end. However, reduced domestic production is expected to increase oil imports to 2.6 billion barrels in 1987 and 1988.

b. No significant changes in excise taxes were assumed in the forecast period. No new agricultural legislation was anticipated while crop support prices were expected to retain their world levels through the remainder of the forecast period. This suggests that democratic attempts to rewrite farm legislation will not be successful over the next two years.

c. Social security taxes are expected to remain at 7.15% for employers and employees on a wage base of $44,000 in 1987. The wage base should rise to $45,800 in 1988, while the tax rate is scheduled to rise to 7.51% in that year. The cost-of-living adjustment for social security recipients is expected to be 1.4% in the first quarter of 1987 and 3.5% in the first quarter of 1988. Index provisions in the federal budget were assumed to be ineffective in 1987 before rising by 3.4% in 1988.

d. World trade is expected to increase 4% in 1987 and again in 1988.

e. Strike activity was not expected to materially influence economic conditions over the forecast period.

f. Wages in the federal government were expected to rise 3.4% in 1987 and an additional 4% in 1988. No special provisions were anticipated for wage changes in the military.

CONCLUSION

The declining dollar will have a positive impact upon trade balances in the next two years, but the reluctance of importers to raise prices will minimize the impact generated by these trade changes. Nevertheless, exports should expand 6% in 1987 and 6.8% in 1988. Imports, however, are expected to continue expanding. Part of these gains will be caused by increased factor incomes earned by foreign investors. As a result of the debtor status of the United States, these factor incomes are becoming an increasingly important component of the current trade accounts.

Excluding the trade accounts, little further economic thrust is apparent. The savings rate has fallen so low for the household sector while a previous surge in purchases of durables ensures the absence of current need, that consumer spending will merely parallel GNP growth during the next two years. This compares sharply with much more rapid consumption growth than overall expansion of economic activity in the past two years. Tax changes and previous overbuilding will combine to cause a serious contraction in construction activity. Of course, when oil prices begin firming late in 1987, the nearly 20% of other structures which constitutes oil and gas exploration will begin rebounding. This will partially blunt the slippage in commercial construction, which should persist through 1988.

Even the residential sector will not be spared from a slump in activity. Tax changes will significantly reduce the attractiveness and diminish the flow of funds going to support rental construction. As a result, rental construction will fall to only 500,000 in 1987 and 1988 from an estimated 685,000 in 1986. Single family units will marginally suffer as well, but their problems are caused by a modest reduction in household formations and a slowing in real disposable income. Even with the slump in activity, housing capital will be growing 2.5% in 1988, which is its long-run growth path. In effect, construction activity has been soaring well above long-run sustainable levels and must now slow.

Inflation also should intensify over the next two years. In 1987 the gain will largely reflect the absence of further significant declines in the price of oil product. In 1988, rising oil prices and modest increases in wage cost pressures will begin forcing prices upward. A large social security tax increase will also contribute to this price pressure.

Even in this relatively dismal outlook, there is a silver lining. Construction excesses need to be eliminated from the economy; transitional costs must be borne before the new tax code can begin to work favorable effects upon the economy; and the household sector must increase savings. Unfortunately, the attempt to increase savings will come at a time when other forces will be detracting from the attractiveness of interest-sensitive commodities. Indeed, except for improvement in the trade balances, the economy could slip into recession during the next two years. A forecast that does not generate recession must, therefore, be viewed as favorable. On the other hand, those economists blithely forecasting improving economic growth over the next two years even in the face of these important transitional problems must clearly be whistling in the dark.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1986

U.S. Expenditures for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

		1986			1987				1988			Percent Change			Annual		
		II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
1.	Personal Consumption Expenditures	2732.0	2799.3	2806.3	2844.7	2890.7	2934.5	2981.8	3021.9	3066.0	3116.9	6.1	5.6	6.2	2758.9	2912.9	3093.0
2.	Autos and Parts	172.0	200.9	169.4	169.2	176.6	180.8	185.0	185.1	188.0	191.9	4.3	0.8	7.0	176.5	177.9	190.4
3.	Other Durable Goods	201.9	209.3	212.8	214.2	215.5	216.4	217.6	217.5	218.3	219.6	8.0	5.2	1.4	205.3	215.9	219.0
4.	Nondurable Goods	928.4	935.5	945.2	956.6	966.6	978.8	992.5	1004.1	1014.8	1029.5	3.3	4.2	5.1	934.7	973.6	1023.1
5.	Services	1429.8	1453.6	1478.9	1504.7	1532.0	1558.5	1586.7	1615.2	1644.9	1675.9	8.0	7.1	7.4	1442.4	1545.5	1660.6
6.	Gross Private Domestic Investment	687.3	674.4	698.6	703.1	720.6	715.8	707.8	713.8	723.2	729.6	4.7	2.8	1.4	692.2	711.8	722.0
7.	Residential Struct.	215.3	221.1	223.4	219.0	216.7	212.0	211.5	208.8	209.6	212.0	12.7	-0.7	-2.0	216.3	214.8	210.5
8.	Other Structures	141.5	139.6	138.8	138.9	139.3	139.2	139.7	140.7	142.0	144.0	-7.2	-3.0	2.5	143.6	139.3	142.8
9.	Producers' Durables	316.0	321.5	320.8	319.7	325.8	326.5	329.8	330.8	334.4	338.0	4.1	3.1	3.3	315.7	325.5	336.2
10.	Change in Inventories	14.5	-7.5	15.6	25.5	38.8	38.1	26.8	33.5	37.2	35.6	---	---	---	16.6	32.3	32.8
11.	Net Export of Goods and Services	-104.5	-110.1	-108.3	-104.9	-99.0	-97.9	-97.5	-95.3	-93.9	-92.3	---	---	---	-104.2	-99.8	-93.4
12.	Exports	363.0	373.5	376.0	384.5	389.3	402.3	409.7	419.6	424.7	440.8	0.6	6.6	9.3	371.8	396.5	433.5
13.	Imports	467.5	483.7	484.3	489.4	488.3	500.2	507.2	514.9	518.6	533.1	3.7	4.3	6.2	476.0	496.3	526.8
14.	Government Purchases of Goods and Services	860.8	870.4	893.0	904.2	913.6	927.4	944.5	955.7	968.3	987.1	6.1	6.6	6.1	865.2	922.4	979.1
15.	Federal	367.6	365.7	379.9	384.0	386.5	392.0	401.0	403.6	408.2	417.1	3.7	6.4	5.9	367.2	390.9	413.9
16.	National Defense	278.4	277.0	283.1	291.3	295.2	300.8	304.7	312.7	317.1	321.6	6.5	7.9	7.1	276.2	298.0	319.3
17.	Other	89.2	88.8	96.8	92.7	91.3	91.2	96.3	90.9	91.1	95.5	-3.9	2.0	1.8	91.0	92.9	94.6
18.	State and Local	493.3	504.7	513.1	520.2	527.1	535.4	543.5	552.1	560.1	570.0	8.0	6.7	6.3	498.0	531.6	565.2
19.	Gross National Product	4175.6	4234.3	4289.6	4347.1	4425.9	4479.8	4536.6	4596.1	4663.6	4741.3	5.4	5.6	5.7	4212.2	4447.4	4700.6
20.	Amount of Change	26.4	58.7	55.3	57.5	78.8	53.9	56.8	59.5	67.5	77.7	---	---	---	214.1	235.2	253.3
21.	% Change*	2.6	5.7	5.3	5.5	7.5	5.0	5.2	5.4	6.0	6.8	---	---	---	5.4	5.6	5.7
22.	% Real Change*	0.6	2.4	2.0	1.4	3.9	1.7	1.3	1.0	2.0	2.5	---	---	---	2.5	2.1	1.7
23.	% Price Change*	1.8	3.6	3.1	3.9	3.5	3.3	3.7	4.1	4.0	4.3	---	---	---	2.8	3.4	3.9
24.	Implicit Price Deflator	114.0	115.0	115.9	117.0	118.0	119.0	120.1	121.3	122.5	123.8	2.8	3.4	3.9	114.6	118.5	123.2
25.	Change in Final Sales	55.8	80.6	32.2	47.6	65.5	54.6	68.1	52.8	63.8	79.3	---	---	---	---	---	---
26.	GNP in 1982 Dollars	3661.4	3683.3	3701.7	3714.6	3750.1	3765.7	3778.2	3787.5	3806.6	3830.1	2.5	2.1	1.7	3675.6	3752.2	3816.8

Table 2.

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November 1986

U.S. Real Expenditures for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

	1986			1987				1988			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
1. Personal Consumption	2408.4	2450.4	2433.5	2442.8	2460.0	2475.1	2488.8	2495.9	2505.1	2517.7	4.0	2.1	1.9	2416.3	2466.7	2512.6
2. Durable Goods	357.1	387.3	359.4	359.2	365.4	368.4	371.3	369.4	370.3	372.5	5.4	1.0	1.6	362.3	366.1	371.9
3. Nondurable Goods	877.3	879.1	882.1	884.9	888.7	893.9	897.2	899.6	901.3	905.0	3.9	1.9	1.4	874.8	891.2	903.6
4. Services	1174.0	1184.0	1192.0	1198.7	1205.9	1212.8	1220.3	1226.9	1233.5	1240.2	3.5	2.6	2.3	1179.2	1209.4	1237.1
5. Gross Private Domestic Invest.	664.7	648.6	665.6	664.7	675.9	668.0	656.5	657.7	661.7	662.3	2.8	0.1	-1.2	665.7	666.3	658.2
6. Residential Structures	192.7	196.1	196.5	191.3	187.8	182.6	180.8	177.1	176.3	176.8	8.8	-3.8	-5.0	192.9	185.6	176.3
7. Other Structures	132.9	129.7	128.2	127.4	127.0	126.2	125.9	125.7	125.9	126.5	-11.5	-6.0	-0.4	134.7	126.6	126.1
8. Producers' Durables	323.9	327.4	325.7	322.6	327.1	325.8	327.5	326.6	328.2	329.4	4.0	1.3	0.9	321.7	325.8	328.8
9. Change in Inventories	15.1	-4.5	15.2	23.4	34.0	33.4	22.3	28.3	31.3	29.6	---	---	---	16.4	28.3	28.9
10. Net Export of Goods and Services	-153.9	-164.6	-159.5	-152.5	-147.1	-144.0	-141.3	-137.6	-134.6	-131.9	---	---	---	-151.0	-146.2	-133.4
11. Exports	359.8	372.9	374.5	381.8	385.4	396.7	401.7	409.0	410.7	423.4	1.9	6.0	6.8	369.1	391.4	418.0
12. Imports	513.6	537.5	534.0	534.3	532.5	540.7	543.0	546.6	545.3	555.3	10.5	3.4	2.5	520.1	537.6	551.2
13. Gov't Purchases of Goods & Services	742.2	748.8	762.1	759.6	761.3	766.6	774.2	771.5	774.4	782.0	3.2	2.8	1.8	744.6	765.4	779.4
14. Federal	328.9	329.3	339.9	336.2	336.4	339.2	344.8	340.2	341.4	346.3	1.9	2.9	1.7	329.6	339.2	345.0
15. State & Local	413.3	419.5	422.2	423.4	424.9	427.4	429.4	431.3	433.0	435.7	4.4	2.7	1.9	415.0	426.3	434.4
16. Gross National Product	3661.4	3683.3	3701.7	3714.6	3750.1	3765.7	3778.2	3787.5	3806.6	3830.1	2.5	2.1	1.7	3675.6	3752.2	3816.8
17. Final Demand	3649.8	3687.8	3686.5	3691.2	3716.1	3732.3	3755.9	3759.2	3775.3	3800.5	2.3	1.7	1.7	3660.0	3723.9	3787.9
18. Private Domestic Product	3271.9	3292.5	3306.6	3319.2	3353.1	3365.9	3378.0	3387.8	3406.1	3427.8	2.8	2.2	1.8	3282.8	3354.0	3415.5

Table 3.

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Income Related U.S. GNP Components for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

	1986			1987				1988			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
1. Compensation of Employees	2480.2	2507.8	2539.7	2576.2	2612.5	2644.8	2679.2	2726.8	2764.4	2805.6	5.5	5.2	6.0	2497.3	2628.2	2784.7
2. Wage and Salary	2058.8	2081.6	2108.2	2135.6	2165.9	2192.9	2221.3	2252.8	2284.2	2318.8	5.5	5.1	5.6	2073.2	2178.9	2301.2
3. Manufacturing	468.8	470.1	473.5	475.7	481.8	485.7	489.7	492.6	497.0	501.8	2.3	2.7	3.3	470.7	483.2	499.3
4. Other Commodity-Producing Industries	152.0	152.0	153.7	152.2	152.0	150.6	150.7	150.3	151.1	152.8	3.2	-0.6	0.3	152.3	151.4	151.8
5. Distributive Industries	484.3	487.9	492.6	498.6	505.9	512.6	518.8	525.8	533.6	542.2	2.4	4.4	5.6	487.5	509.0	537.6
6. Service Industries	561.3	573.2	584.4	596.1	608.1	620.0	632.6	645.8	659.1	672.9	9.8	8.3	8.5	567.1	614.2	666.1
7. Military	70.3	70.4	70.8	73.7	74.2	74.6	75.3	78.1	78.8	79.1	3.8	5.8	6.0	70.4	74.5	79.0
8. Civilian Government	322.2	328.0	333.2	339.3	343.9	349.4	354.2	360.2	364.6	370.0	6.9	6.6	6.0	325.2	346.7	367.5
9. Supplements	421.3	426.2	431.5	440.6	446.6	451.9	457.9	474.0	480.2	486.8	5.4	5.9	7.6	424.1	449.3	483.6
10. Proprietors' Income	289.1	279.3	293.6	293.9	305.9	306.9	316.6	313.7	319.2	321.8	10.8	8.5	5.2	281.8	305.8	321.7
11. Business & Professional	249.6	257.9	266.4	269.3	276.2	281.3	286.7	288.4	291.6	295.3	12.7	9.7	5.6	253.7	278.4	294.1
12. Farm	39.5	21.4	27.2	24.6	29.7	25.6	29.9	25.3	27.6	26.5	-3.8	-2.4	0.5	28.1	27.5	27.6
13. Rental Income	16.3	16.3	16.1	16.4	16.8	17.1	17.5	17.1	17.5	17.9	101.6	10.2	4.4	15.4	17.0	17.7
14. Net Interest	297.9	292.5	287.7	285.3	288.4	292.9	296.9	298.5	302.6	308.3	-5.0	-1.6	5.0	295.8	290.9	305.5
15. Corporate Profits Adj.	293.1	302.7	313.9	315.9	325.0	324.0	331.7	322.3	326.2	336.7	7.4	7.5	2.6	301.5	324.2	332.5
16. National Income	3376.4	3398.6	3451.0	3487.7	3548.6	3585.7	3641.9	3678.4	3729.9	3790.3	5.3	5.1	5.5	3391.7	3566.0	3762.1
17. Indirect Business Tax	340.8	353.1	355.9	361.8	368.1	374.6	381.4	387.1	393.5	400.3	5.3	6.4	6.9	349.1	371.5	397.1
18. Capital Consumption Adj.	-25.8	-25.2	-24.4	-19.9	-15.5	-12.8	-11.1	-7.1	-5.0	-2.9	---	---	---	-26.6	-14.8	-4.4
19. Capital Consumption Alw.	479.2	483.1	487.3	491.6	497.8	502.9	508.6	513.9	520.4	528.3	3.1	3.8	4.8	481.9	500.2	524.2
20. Business Transfers	22.9	23.5	24.1	24.7	25.3	26.0	26.7	27.3	28.0	28.6	11.1	10.7	10.3	23.2	25.7	28.3
21. Net Govt. Subsidies	-22.4	-3.6	-8.4	-3.6	-1.5	-1.6	-3.9	0.2	0.2	-2.8	17.7	-72.5	-141.5	-9.6	-2.7	1.1
22. Statistical Discrepancy	4.6	4.8	4.1	4.8	3.1	5.0	-7.0	-3.7	-3.4	-0.5	---	---	---	2.5	1.5	-2.1
23. Gross National Product	4175.6	4234.3	4289.6	4347.1	4425.9	4479.8	4536.6	4596.1	4663.6	4741.3	5.4	5.6	5.7	4212.2	4447.4	4700.6

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1986

Derivation of U.S. Personal Income for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

	1986			1987				1988			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
1. National Income	3376.4	3398.6	3451.0	3487.7	3548.6	3585.7	3641.9	3678.4	3729.9	3790.3	5.3	5.1	5.5	3391.7	3566.0	3762.1
2. Less: Corp. Profits Adj.	293.1	302.7	313.9	315.9	325.0	324.0	331.7	322.3	326.2	336.7	7.4	7.5	2.6	301.5	324.2	332.5
3. Social Insurance	373.6	376.6	380.6	390.3	394.9	398.6	403.1	425.9	430.6	435.9	5.6	5.6	9.2	375.6	396.7	433.3
4. Plus: Gov't Transfers	487.2	494.4	497.0	502.5	504.7	509.9	511.7	522.5	526.1	532.2	5.2	3.5	4.2	490.3	507.2	528.7
5. Old Age, Survivors, etc.	264.1	269.8	269.3	272.6	273.8	278.4	279.0	286.3	287.6	292.4	5.2	3.5	5.0	266.6	276.0	289.8
6. Unemployment Benefits	16.3	17.1	17.6	17.7	17.0	16.6	16.4	16.5	17.2	17.5	5.7	1.8	1.2	16.6	16.9	17.1
7. Veterans' Benefits	17.0	16.6	16.4	16.7	16.7	16.5	16.3	16.7	16.7	16.4	0.4	-1.2	-0.3	16.8	16.6	16.5
8. Employees' Retirement	70.1	70.9	72.0	73.0	73.8	74.6	75.7	77.0	77.9	78.6	5.9	5.3	5.5	70.5	74.3	78.3
9. A.F.D.C.	16.2	16.1	16.2	16.4	16.5	16.2	16.3	16.7	16.8	16.5	4.5	1.4	1.8	16.1	16.4	16.7
10. Other	103.6	104.4	105.5	106.1	106.9	107.6	108.0	109.3	109.9	110.8	5.6	3.2	2.9	103.8	107.2	110.3
11. Business Transfers	22.9	23.5	24.1	24.7	25.3	26.0	26.7	27.3	28.0	28.6	11.1	10.7	10.3	23.2	25.7	28.3
12. Interest Transfers	181.5	182.0	183.6	185.8	188.6	191.2	196.1	200.6	206.7	212.2	9.6	5.4	9.9	180.7	190.4	209.3
13. Personal Dividends	81.1	82.0	83.0	83.8	84.9	86.0	87.2	88.5	90.0	91.6	6.4	5.1	6.2	81.3	85.5	90.8
14. Equals: Personal Income	3483.3	3501.6	3544.2	3578.3	3632.2	3676.2	3728.9	3769.1	3823.9	3882.3	5.3	4.7	5.5	3490.4	3653.9	3853.3
15. Less: Personal Tax Payments	504.8	518.6	529.6	511.3	518.9	530.6	543.1	527.4	534.8	549.1	5.4	2.6	3.3	512.6	526.0	543.3
16. Equals: Disposable Personal Income	2978.5	2983.0	3014.6	3067.0	3113.3	3145.6	3185.8	3241.7	3289.1	3333.2	5.3	5.0	5.8	2977.8	3127.9	3310.0
17. Less: Consumption	2732.0	2799.3	2806.3	2844.7	2890.7	2934.5	2981.8	3021.9	3066.0	3116.9	6.1	5.6	6.2	2758.9	2912.9	3093.0
18. Less: Other Outlays	93.5	96.2	98.2	100.3	102.0	103.9	106.0	108.2	110.1	112.7	12.6	8.6	8.2	94.9	103.1	111.5
19. Equals: Personal Savings	153.1	87.5	110.1	122.0	120.6	107.2	98.0	111.6	113.0	103.6	-13.4	-9.8	-5.6	124.1	112.0	105.7
20. Savings Rate (%)	5.1	2.9	3.7	4.0	3.9	3.4	3.1	3.4	3.4	3.1	-17.7	-13.8	-11.8	4.2	3.6	3.2

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1986

U.S. Federal Government Activity for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

	1986			1987				1988			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
1. Government Receipts	807.7	828.4	849.0	840.9	852.0	863.4	883.0	883.4	893.0	912.4	4.4	4.7	5.3	821.3	859.8	905.5
2. Personal Tax & Non-Tax	355.5	365.7	373.6	351.7	355.4	365.5	375.0	356.8	361.3	372.8	4.5	0.2	1.8	361.3	361.9	368.4
3. Corporate Profits Tax	74.3	80.8	89.1	93.1	96.2	93.8	99.6	95.8	96.2	99.4	7.1	21.3	3.7	78.9	95.7	99.3
4. Indirect Business Tax	50.7	52.3	53.4	54.2	54.6	55.3	56.0	56.4	57.1	57.5	-6.8	5.3	4.1	52.3	55.0	57.3
5. Contributions for Social Security	327.2	329.6	332.9	341.9	345.8	348.8	352.4	374.4	378.4	382.7	5.6	5.6	9.6	328.9	347.2	380.6
6. Government Expenditures	1045.7	1024.0	1044.6	1045.4	1048.9	1061.3	1077.1	1087.2	1100.6	1122.0	4.5	2.8	5.1	1029.0	1058.2	1112.1
7. Purchases of Goods and Services	367.6	365.7	379.9	384.0	386.5	392.0	401.0	403.6	408.2	417.1	3.7	6.4	5.9	367.2	390.9	413.9
8. Defense	278.4	277.0	283.1	291.3	295.2	300.8	304.7	312.7	317.1	321.6	6.5	7.9	7.1	276.2	298.0	319.3
9. Durables	83.6	83.8	86.5	88.2	89.6	92.1	93.5	95.4	97.0	98.9	10.0	10.3	7.8	82.4	90.9	97.9
10. Nondurables	11.0	10.7	10.6	11.0	11.2	11.5	11.7	12.0	12.2	12.5	-10.0	2.9	8.8	11.0	11.4	12.4
11. Military Compensation	70.3	70.4	70.8	73.7	74.2	74.6	75.3	78.1	78.8	79.1	3.8	5.8	6.0	70.4	74.5	79.0
12. Civilian Compensation	34.1	34.3	34.7	36.0	36.2	36.4	36.7	38.0	38.2	38.5	2.7	6.1	5.6	34.2	36.3	38.4
13. Other Services	72.9	70.7	73.4	75.3	77.0	78.9	80.3	82.0	83.6	85.3	9.9	9.0	8.4	71.4	77.9	84.4
14. Structures	6.5	7.0	7.1	7.1	7.0	7.3	7.2	7.2	7.3	7.3	10.7	6.3	1.4	6.7	7.2	7.3
15. Nondefense	89.2	88.8	96.8	92.7	91.3	91.2	96.3	90.9	91.1	95.5	-3.9	2.0	1.8	91.0	92.9	94.6
16. Durables	4.3	4.4	4.5	4.5	4.6	4.6	4.7	4.7	4.8	4.9	5.4	5.1	5.4	4.4	4.6	4.9
Nondurables	11.2	11.0	17.2	12.1	10.5	9.5	12.9	7.1	6.9	10.5	---	---	---	12.6	11.3	9.7
17. CCC Inventory Change	5.5	5.1	11.4	6.2	4.3	3.1	6.4	0.5	0.1	3.6	---	---	---	6.9	5.0	2.9
18. Other Nondurables	5.7	5.9	5.8	5.9	6.2	6.4	6.5	6.6	6.8	6.9	-3.0	9.2	9.2	5.7	6.3	6.8
19. Compensation	40.3	40.5	41.0	42.6	42.7	43.1	43.5	44.8	45.1	45.4	2.3	6.1	5.4	40.5	43.0	45.3
20. Other Services	26.1	26.8	27.4	27.0	27.1	27.5	28.4	27.6	27.5	27.9	1.1	2.9	1.6	26.7	27.5	28.0
21. Structures	7.2	6.1	6.7	6.5	6.4	6.5	6.8	6.7	6.8	6.8	-7.5	-3.7	4.6	6.8	6.6	6.9
22. Transfer Payments	396.7	398.1	401.9	403.2	404.6	408.7	410.9	417.5	419.9	425.1	4.2	2.6	3.8	396.5	406.9	422.5
23. Grants-in-Aid to State and Local Governments	106.9	106.1	103.4	102.9	103.1	103.8	101.5	102.7	103.6	104.4	6.1	-2.0	0.4	105.0	102.8	103.2
24. Net Interest Paid	138.1	136.0	136.5	137.0	138.2	140.0	144.3	147.9	153.2	156.5	4.5	2.5	10.6	136.4	139.9	154.7
25. Deficit of Government Enterprises	36.5	18.0	22.9	18.3	16.5	16.8	19.4	15.5	15.7	18.9	15.1	-25.6	1.3	23.9	17.8	18.0
26. Federal Surplus	-238.1	-195.6	-195.6	-204.5	-196.9	-197.9	-194.1	-203.8	-207.6	-209.6	---	---	---	-207.7	-198.4	-206.7
27. Federal Debt Held by Individuals	1502.7	1540.4	1583.2	1625.3	1661.8	1703.8	1747.7	1787.7	1825.6	1869.1	14.8	10.7	9.8	1521.3	1684.7	1849.9
28. Total Government Surplus	-179.1	-133.1	-137.5	-145.7	-134.5	-136.8	-132.7	-143.5	-145.8	-146.9	---	---	---	-145.3	-137.4	-144.7

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1986

Selected Economic Variables of the U.S. Economy for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

	1986			1987				1988			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
Private Economy																
1. Change in Private Hourly Wage Costs	1.2	4.4	2.5	3.8	3.4	3.6	3.6	5.9	4.1	4.3	3.0	3.3	4.3	13.41	13.86	14.46
2. Change in Output Per Worker Hour	1.2	1.5	-0.8	0.3	1.7	0.1	-0.2	0.2	0.5	0.6	0.5	0.5	0.3	21.464	21.570	21.632
3. Change in Implicit Unit Labor Costs	1.1	1.8	3.3	3.5	1.7	3.4	3.8	5.7	3.6	3.7	2.5	2.7	4.0	0.625	0.642	0.668
4. Change in Private Price Deflator	1.7	3.2	3.2	3.4	3.3	3.5	3.8	3.8	3.9	4.0	2.5	3.2	3.8	1.136	1.173	1.217
Prices																
5. Consumer Price Index	326.3	328.3	331.1	334.4	337.4	340.2	343.3	346.8	350.7	354.5	1.9	3.2	4.0	328.3	338.8	352.4
6. Industrial Commod. (Producer Price Index)	311.5	308.3	310.5	312.1	313.3	312.8	315.1	317.0	319.1	320.1	-3.6	0.3	2.0	312.4	313.3	319.7
Corporate Economy																
7. After Tax Profit	138.0	143.7	161.5	161.5	166.4	164.5	177.3	171.8	173.2	179.4	10.1	15.8	5.7	144.6	167.4	177.0
8. Inventory Profits	10.6	7.1	-9.5	-9.7	-7.0	-2.5	-14.7	-11.9	-9.2	-8.2	---	---	---	6.2	-8.5	-9.8
9. Genuine Profits	199.8	201.2	201.7	199.4	204.7	206.6	206.7	202.2	205.6	212.1	7.2	0.9	1.8	202.5	204.4	208.0
10. Mean Closing Dow Jones	1825.5	1822.3	1846.5	1803.1	1846.9	1738.5	1796.8	1739.6	1750.5	1793.9	34.5	0.6	-0.7	1785.7	1796.3	1784.5
11. Mean Closing NY Composite	138.49	138.76	140.22	139.72	141.63	136.94	140.39	136.53	138.82	140.89	25.9	2.6	0.4	136.1	139.7	140.2
Financial																
12. Monetary Base	241.8	247.4	252.9	257.3	262.0	266.7	271.6	276.2	281.0	286.6	8.0	8.0	7.4	244.9	264.4	283.9
13. Checkable Deposits	481.5	507.0	525.9	539.0	549.5	557.8	569.2	578.5	587.3	597.8	15.0	12.2	7.1	493.4	553.9	593.4
14. M1	657.2	685.7	707.3	723.0	736.5	747.6	762.1	774.2	786.0	799.9	12.9	10.7	6.9	670.6	742.3	793.9
15. Velocity of M1	6.301	6.123	6.010	5.957	5.953	5.937	5.899	5.883	5.880	5.874	-6.5	-4.7	-1.1	6.232	5.937	5.868
16. M2	2646.8	2721.2	2773.4	2822.7	2876.9	2923.9	2974.5	3025.9	3079.7	3139.5	7.9	8.2	7.3	2680.3	2899.5	3109.7
17. Velocity of M2	1.564	1.543	1.533	1.526	1.524	1.518	1.511	1.505	1.501	1.497	-2.2	-2.4	-1.4	1.558	1.520	1.498
18. Federal Funds	6.92	6.21	5.73	5.23	5.27	5.56	5.69	5.77	5.92	6.37	-17.7	-18.5	13.0	6.67	5.44	6.14
19. Prime Rate	8.61	7.85	7.50	7.13	7.00	7.36	7.50	7.50	7.50	8.11	-16.1	-13.1	8.2	8.34	7.25	7.84
20. 6 Month T-Bills	6.18	5.59	5.22	4.96	5.03	5.34	5.26	5.30	5.43	5.92	-21.7	-14.0	9.2	5.98	5.15	5.62
21. Seasoned AAA Corp.	9.00	8.83	8.74	8.56	8.60	9.13	8.92	8.99	9.11	9.13	-20.5	-2.6	2.7	9.04	8.80	9.04
22. FHA Mortgage Rates	10.21	10.26	9.86	9.63	9.57	9.97	9.84	9.87	10.03	10.46	-17.6	-4.9	4.3	10.26	9.75	10.17
Miscellaneous																
23. Housing Starts	1908	1760	1687	1699	1625	1607	1593	1542	1578	1552	5.3	-11.3	-4.8	1838	1631	1553
24. Single Family Starts	1238	1151	1139	1146	1116	1112	1084	1056	1065	1043	10.4	-6.6	-6.2	1194	1115	1045
25. Unit Auto Sales	11.10	13.17	9.87	9.65	10.12	10.28	10.43	10.27	10.25	10.36	0.5	-9.5	2.2	11.18	10.12	10.35
26. Civilian Employment	109.225	109.976	110.226	110.779	111.452	111.945	112.483	112.938	113.377	113.861	2.2	1.9	1.8	109.549	111.665	113.646
27. Unemployment Rate	7.2	6.9	7.0	7.0	6.8	6.7	6.7	6.7	6.8	6.8	-2.2	-2.3	-0.4	7.0	6.8	6.8
28. Industrial Production	124.4	125.1	125.6	126.0	127.4	128.0	127.8	128.1	128.6	129.2	0.5	1.8	1.1	125.0	127.3	128.7
29. Asset-Consumption Ratio	4.222	4.158	4.189	4.162	4.141	4.066	4.057	4.004	3.990	3.966	3.7	-1.7	-3.1	4.176	4.107	3.979

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1986

U. S. Foreign Trade Accounts for 1985 with Forecasts for 1986 through 1988

	1985	1986	1987	1988	Percent Change 85-86	86-87	87-88
Exports of U.S. Merchandise	212796	215277	229801	252552	1.2	6.7	9.9
Food & Live Animals	19268	17442	19998	22248	-9.5	14.6	11.3
Beverages & Tobacco	2958	2873	2818	2861	-2.9	-1.9	1.5
Crude Materials	16939	16349	17583	20032	-3.5	7.5	13.9
Mineral Fuels	9971	8489	9093	9570	-14.9	7.1	5.2
Animal & Vegetable Oils	1434	1083	1143	1352	-24.5	5.5	18.3
Chemicals	21759	22921	25099	27559	5.3	9.5	9.8
Manufactured Goods	14009	13668	14033	14933	-2.4	2.7	6.4
Machinery, Trans. Equipment	93939	93112	99333	108882	-0.9	6.7	9.6
Miscellaneous Manufacturing	15338	16682	18840	20891	8.8	12.9	10.9
Commodities, n.e.c.	10960	10852	12025	13518	-1.0	10.8	12.4
Imports of Merchandise	361626	390412	407975	429253	8.0	4.5	5.2
Food & Live Animals	20292	22506	22383	23568	10.9	-0.6	5.3
Beverages & Tobacco	4124	4168	4193	4147	1.1	0.6	-1.1
Crude Materials	11167	11543	11140	11501	3.4	-3.5	3.2
Mineral Fuels	55843	41909	38918	45911	-25.0	-7.1	18.0
Animal & Vegetable Oils	730	598	571	637	-18.0	-4.5	11.5
Chemicals	15321	16289	17620	18800	6.3	8.2	6.7
Manufactured Goods	49500	52515	53638	53615	6.1	2.1	-0.0
Machinery, Trans. Equipment	141721	167557	176628	183044	18.2	5.4	3.6
Miscellaneous Manufacturing	51684	61567	70218	74706	19.1	14.1	6.4
Commodities, n.e.c.	11245	14574	12668	13440	29.6	-13.1	6.1
Foreign Transactions							
Total Exports	369.7	371.8	396.5	433.5	0.6	6.6	9.3
Merchandise Exports	219.6	219.2	236.1	260.7	-0.2	7.7	10.4
Factor Income	91.2	90.0	94.0	102.2	-1.3	4.4	8.8
Other Services	59.0	62.7	66.4	70.6	6.3	6.0	6.4
Total Imports	458.8	476.0	496.3	526.8	3.7	4.3	6.2
Merchandise Imports	341.7	366.6	383.7	404.3	7.3	4.7	5.4
Factor Income	50.1	51.9	52.9	59.9	3.6	2.0	13.2
Other Services	56.9	57.6	59.7	62.7	1.3	3.6	5.0
Transfer	15.0	14.0	14.4	14.7	-6.8	2.5	2.4
Government Interest	21.3	22.8	25.2	29.5	7.0	10.3	17.0
Net Foreign Investment	-115.2	-141.0	-139.4	-137.5	---	---	---
Trade Weighted Value of Dollar (3/73=100)	143.3	112.4	102.6	98.1	-21.5	-8.7	-4.4

Table 8. Economic Forecasting Center November 1986

Implicit Price Deflators for Personal Consumption Expenditures for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

	1986			1987				1988			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
Durable Goods	104.7	105.9	106.3	106.7	107.3	107.8	108.4	109.0	109.7	110.5	0.8	2.1	2.3	105.4	107.6	110.1
% Change	0.9	4.7	1.6	1.5	2.2	1.9	2.3	2.1	2.7	2.8						
Automobiles	110.3	111.7	113.1	113.5	114.2	115.0	116.0	116.8	118.0	119.2	2.6	3.2	3.4	111.1	114.7	118.5
% Change	3.6	5.5	4.9	1.4	2.7	2.8	3.4	2.8	4.3	4.0						
Furniture	97.6	97.8	98.2	98.4	98.5	98.6	98.7	98.8	99.0	99.2	-1.3	0.6	0.5	98.0	98.6	99.1
% Change	-3.0	0.6	1.8	0.9	0.3	0.6	0.3	0.5	0.6	0.8						
Other Durables	106.3	107.8	109.0	109.9	110.6	111.1	111.8	112.7	113.5	114.2	1.6	3.3	2.7	107.3	110.8	113.8
% Change	0.4	5.9	4.3	3.4	2.7	1.6	2.7	3.4	2.6	2.7						
Nondurables	105.8	106.4	107.2	108.1	108.8	109.5	110.6	111.6	112.6	113.8	-0.6	2.2	3.6	106.9	109.2	113.2
% Change	-7.9	2.3	2.8	3.6	2.5	2.7	4.2	3.6	3.5	4.2						
Food	110.4	112.6	113.6	114.7	115.4	116.6	117.7	118.8	119.8	121.0	3.1	4.0	3.7	111.6	116.1	120.4
% Change	1.9	8.2	3.7	3.9	2.5	4.2	3.8	3.8	3.4	4.1						
Apparel	105.0	105.2	106.1	106.5	107.1	107.2	108.3	108.9	109.2	109.9	-0.7	1.6	2.3	105.6	107.3	109.7
% Change	-3.0	0.8	3.4	1.3	2.2	0.5	4.2	2.2	1.1	2.5						
Gasoline & Oil	74.1	69.4	68.4	69.0	68.6	68.1	69.0	69.7	70.6	71.7	-21.3	-9.1	3.7	75.6	68.7	71.2
% Change	-54.9	-22.9	-5.8	3.3	-2.2	-2.9	5.6	3.6	5.6	6.5						
Fuel Oil	74.9	68.3	68.9	68.7	68.4	67.9	69.0	69.4	69.9	71.1	-19.1	-8.6	3.2	74.9	68.5	70.7
% Change	-46.8	-30.6	3.2	-0.9	-1.9	-3.1	7.1	2.1	3.3	7.0						
Other Nondurables	119.0	120.9	121.9	123.2	124.6	125.8	127.0	128.2	129.6	131.1	3.8	4.3	4.1	120.0	125.2	130.3
% Change	2.2	6.7	3.3	4.4	4.7	3.8	4.0	3.7	4.5	4.6						
Services	121.8	122.8	124.1	125.5	127.0	128.5	130.0	131.6	133.4	135.1	4.3	4.5	5.0	122.3	127.8	134.2
% Change	3.9	3.3	4.3	4.8	4.9	4.7	4.8	5.1	5.3	5.4						
Housing	124.1	125.4	127.1	128.8	130.5	132.3	134.2	136.2	138.2	140.3	5.8	5.4	5.9	124.7	131.5	139.2
% Change	6.4	4.1	5.6	5.5	5.3	5.7	5.9	6.0	6.0	6.2						
Electricity & Gas	114.6	115.6	114.1	115.0	115.8	116.1	115.5	116.3	117.3	118.4	0.0	0.7	1.6	114.8	115.6	117.4
% Change	-0.9	3.2	-4.8	2.9	2.8	1.3	-2.0	2.7	3.6	3.5						
Household Operations	121.9	123.6	124.6	125.8	127.0	128.2	129.5	130.7	132.0	133.4	5.2	4.2	4.0	122.5	127.6	132.7
% Change	7.0	5.5	3.5	3.7	4.0	3.9	3.9	3.9	4.2	4.2						
Transportation	112.7	111.8	113.0	114.3	115.6	116.8	118.2	119.6	121.1	122.8	2.7	3.4	4.9	112.4	116.2	121.9
% Change	1.6	-3.2	4.3	4.9	4.5	4.1	4.9	4.8	5.1	5.8						
Medical Care	127.5	128.6	130.6	132.7	134.9	136.9	139.1	141.2	143.4	145.7	5.2	5.9	6.4	128.3	135.9	144.6
% Change	2.4	3.6	6.5	6.6	6.8	6.0	6.6	6.2	6.3	6.6						
Other Services	119.1	120.1	121.2	122.2	123.3	124.4	125.6	126.8	128.1	129.4	3.1	3.5	3.9	119.7	123.9	128.7
% Change	3.1	3.5	3.6	3.3	3.7	3.6	3.9	3.9	4.1	4.2						
Personal Consump Exp	113.4	114.2	115.3	116.5	117.5	118.6	119.8	121.1	122.4	123.8	2.1	3.5	4.2	114.2	118.1	123.1
% Change	-1.1	2.9	3.9	4.2	3.5	3.8	4.1	4.4	4.4	4.7						
Consumer Price Index	326.3	328.3	331.1	334.4	337.4	340.2	343.3	346.8	350.7	354.5	1.9	3.2	4.0	328.3	338.8	352.4

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1986

Implicit Price Deflators with Annual Percentage Changes for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

	1986			1987				1988			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
GNP Deflator	114.0	115.0	115.9	117.0	118.0	119.0	120.1	121.3	122.5	123.8	2.8	3.4	3.9	114.6	118.5	123.2
% Change	1.8	3.6	3.1	3.9	3.5	3.4	3.7	4.1	4.0	4.3						
Personal Cons. Exp.	113.4	114.2	115.3	116.5	117.5	118.6	119.8	121.1	122.4	123.8	2.1	3.5	4.2	114.2	118.1	123.1
% Change	-1.1	2.9	4.0	4.1	3.5	3.8	4.1	4.4	4.4	4.7						
Private Domestic Investment	103.4	104.0	105.0	105.8	106.6	107.2	107.8	108.5	109.3	110.2	1.9	2.8	2.7	104.0	106.9	109.7
% Change	-0.6	2.3	3.7	3.0	3.1	2.3	2.3	2.6	3.0	3.3						
Structures	106.5	107.6	108.3	109.0	109.7	110.3	111.0	111.9	112.8	113.8	4.9	3.1	3.0	106.7	110.0	113.3
% Change	8.3	4.2	2.7	2.5	2.7	2.2	2.6	3.3	3.3	3.6						
Producers' Durables	97.6	98.2	98.5	99.1	99.6	100.2	100.7	101.3	101.9	102.6	0.1	1.8	2.3	98.2	99.9	102.2
% Change	-3.2	2.5	1.3	2.5	2.0	2.4	2.0	2.4	2.4	2.8						
Residential Structures	111.7	112.8	113.7	114.5	115.4	116.1	117.0	117.9	118.9	119.9	3.6	3.3	3.1	112.1	115.8	119.4
% Change	5.6	4.0	3.1	2.9	3.2	2.5	3.0	3.0	3.5	3.6						
Exports	100.9	100.2	100.4	100.7	101.0	101.4	102.0	102.6	103.4	104.1	-1.2	0.5	2.4	100.8	101.3	103.7
% Change	-2.3	-2.7	0.7	1.3	1.2	1.6	2.4	2.4	3.2	2.7						
Imports	91.0	90.0	90.7	91.6	91.7	92.5	93.4	94.2	95.1	96.0	-4.0	0.8	3.5	91.6	92.3	95.6
%Change	-14.4	-4.3	3.3	4.2	0.3	3.5	3.9	3.5	3.9	3.8						
Federal	111.8	111.1	111.8	114.2	114.9	115.6	116.3	118.7	119.6	120.5	1.8	3.4	4.1	111.4	115.3	120.0
% Change	2.9	-2.5	2.5	9.0	2.5	2.3	2.5	8.3	3.0	2.9						
Federal Purchases	108.3	107.0	107.9	109.2	110.0	110.8	111.7	112.8	113.9	115.1	1.3	2.6	3.6	107.6	110.4	114.5
% Change	4.2	-4.7	3.3	4.9	3.1	2.7	3.4	3.9	4.1	4.3						
Federal Value Added	117.6	117.9	118.5	122.8	123.3	123.8	124.4	128.7	129.3	129.8	2.6	4.9	4.8	117.8	123.6	129.6
% Change	1.4	1.0	2.1	15.4	1.5	1.6	2.0	14.6	2.0	1.7						
State & Local	119.4	120.3	121.5	122.9	124.0	125.3	126.6	128.0	129.4	130.8	3.5	3.9	4.3	120.0	124.7	130.1
% Change	2.0	3.0	4.2	4.5	3.8	4.2	4.1	4.6	4.3	4.4						
State & Local Purchases	110.1	110.3	111.1	112.0	112.6	113.4	114.4	115.6	116.7	118.0	0.6	2.3	3.7	110.6	113.1	117.3
% Change	-2.9	0.7	3.0	3.3	2.1	2.8	3.6	4.2	4.0	4.5						
State & Local Value Added	126.3	128.0	129.7	131.3	133.0	134.6	136.2	137.8	139.4	141.1	5.7	5.2	4.9	127.1	133.8	140.3
% Change	5.9	5.5	5.6	5.0	5.3	4.9	4.8	4.9	4.8	4.9						

Table 10.

Georgia State University
College of Business Administration
Economic Forecasting Center
November 1986

Consumption Details for 1986-II and 1986-III with Forecasts for 1986-IV through 1988-III

	1986			1987				1988			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	85-86	86-87	87-88	1986	1987	1988
CURRENT DOLLARS																
Durable Goods	373.9	410.2	382.2	383.4	392.1	397.2	402.6	402.6	406.3	411.5	6.3	3.2	3.9	381.8	393.8	409.4
Motor Vehicles & Parts	172.0	200.9	169.4	169.2	176.6	180.8	185.0	185.1	188.0	191.9	4.3	0.8	7.0	176.5	177.9	190.4
Furniture	135.8	140.4	142.3	143.0	143.6	144.1	144.6	144.0	144.1	144.9	8.6	4.5	0.5	137.7	143.8	144.6
Other	66.0	68.9	70.5	71.2	71.9	72.3	73.0	73.5	74.2	74.7	7.0	6.5	3.3	67.7	72.1	74.5
Nondurable Goods	928.4	935.5	945.2	956.6	966.6	978.8	992.5	1004.1	1014.8	1029.5	3.3	4.2	5.1	934.7	973.6	1023.1
Food	490.3	494.8	501.2	508.1	513.2	520.5	527.5	534.5	540.8	548.4	5.0	5.0	5.3	492.7	517.3	544.9
Clothing & Shoes	165.0	166.5	168.0	169.2	171.1	172.7	174.9	176.5	177.2	179.3	6.4	4.1	3.9	165.2	172.0	178.7
Gas & Oil	78.1	75.0	74.3	74.7	74.7	74.7	75.8	76.2	77.1	78.4	-14.4	-4.8	3.8	78.8	75.0	77.8
Fuel Oil & Coal	13.7	13.6	13.5	13.4	13.2	13.3	13.6	13.6	13.5	13.8	-11.4	-3.9	2.8	13.9	13.4	13.8
Other	181.2	185.6	188.2	191.2	194.4	197.6	200.7	203.3	206.2	209.6	6.4	6.5	6.1	184.1	196.0	208.0
Services	1429.8	1453.6	1478.9	1504.7	1532.0	1558.5	1586.7	1615.2	1644.9	1675.9	8.0	7.1	7.4	1442.4	1545.5	1660.6
Housing	434.7	442.1	451.2	460.5	469.8	479.5	489.6	500.1	510.8	521.9	8.5	8.4	8.8	438.2	474.9	516.4
Household Operations Gas & Electric	86.9	89.9	89.6	90.7	91.8	92.8	92.9	94.1	95.4	96.7	-1.9	4.4	4.0	88.2	92.1	95.8
Household Operations Other	90.6	92.8	94.1	95.2	96.4	97.7	98.9	100.1	101.0	102.3	7.4	6.2	4.8	91.4	97.1	101.8
Transportation	95.0	96.7	99.3	101.3	103.0	104.5	106.1	107.6	109.2	111.0	6.4	7.9	6.2	96.1	103.7	110.1
Medical Care	312.3	318.0	325.1	331.9	339.7	347.0	355.1	362.9	371.1	379.7	8.9	8.7	9.4	315.8	343.4	375.6
Other	410.3	414.1	419.6	425.1	431.3	437.0	444.1	450.4	457.4	464.3	9.1	5.2	6.1	412.7	434.4	461.0
CONSTANT DOLLARS																
Durable Goods	357.1	387.3	359.4	359.2	365.4	368.4	371.3	369.4	370.3	372.5	5.4	1.0	1.6	362.3	366.1	371.9
Motor Vehicles & Parts	156.0	179.8	149.8	149.1	154.6	157.2	159.5	158.5	159.3	161.0	1.6	-2.3	3.5	158.8	155.1	160.6
Furniture	139.1	143.6	144.9	145.3	145.8	146.1	146.5	145.7	145.6	146.1	10.0	3.9	0.0	140.5	145.9	146.0
Other	62.1	63.9	64.7	64.8	65.0	65.1	65.3	65.2	65.4	65.4	5.3	1.3	2.4	63.1	63.9	65.4
Nondurable Goods	877.3	879.1	882.1	884.9	888.7	893.9	897.2	899.6	901.3	905.0	3.9	1.9	1.4	874.8	891.2	903.6
Food	444.2	439.5	441.2	443.0	444.7	446.4	448.2	449.9	451.4	453.2	1.9	0.9	1.5	441.5	445.6	452.4
Clothing & Shoes	157.1	158.2	158.3	158.9	159.8	161.1	161.5	162.1	162.3	163.2	7.2	2.4	1.5	156.5	160.3	162.8
Gas & Oil	105.4	108.0	108.6	108.3	108.9	109.7	109.8	109.4	109.2	109.3	9.4	4.2	0.1	104.7	109.2	109.3
Fuel Oil & Coal	18.3	19.9	19.6	19.5	19.3	19.6	19.7	19.6	19.3	19.4	10.2	4.4	-0.4	18.7	19.5	19.5
Other	152.3	153.5	154.4	155.2	156.0	157.1	158.0	158.6	159.1	159.9	2.6	2.1	1.9	153.4	156.6	159.6
Services	1174.0	1184.0	1192.0	1198.7	1205.9	1212.8	1220.3	1226.9	1233.5	1240.2	3.5	2.6	2.3	1179.2	1209.4	1237.1
Housing	350.2	352.6	355.0	357.5	360.0	362.4	364.8	367.2	369.6	372.0	2.5	2.8	2.7	351.4	361.2	370.8
Household Operations Gas & Electric	75.8	77.8	78.5	78.9	79.3	79.9	80.4	80.9	81.3	81.7	-2.0	3.7	2.4	76.8	79.6	81.5
Household Operations Other	74.3	75.1	75.5	75.7	75.9	76.2	76.4	76.6	76.5	76.7	2.1	2.0	0.8	74.6	76.1	76.7
Transportation	84.3	86.5	87.9	88.6	89.1	89.5	89.8	90.0	90.2	90.4	5.6	4.4	1.2	85.5	89.3	90.3
Medical Care	245.0	247.3	248.9	250.1	251.8	253.5	255.3	257.0	258.8	260.6	3.5	2.7	2.8	246.1	252.7	259.7
Other	344.5	344.7	346.2	347.9	349.8	351.3	353.6	355.2	357.1	358.8	5.8	1.7	2.1	344.9	350.7	358.1

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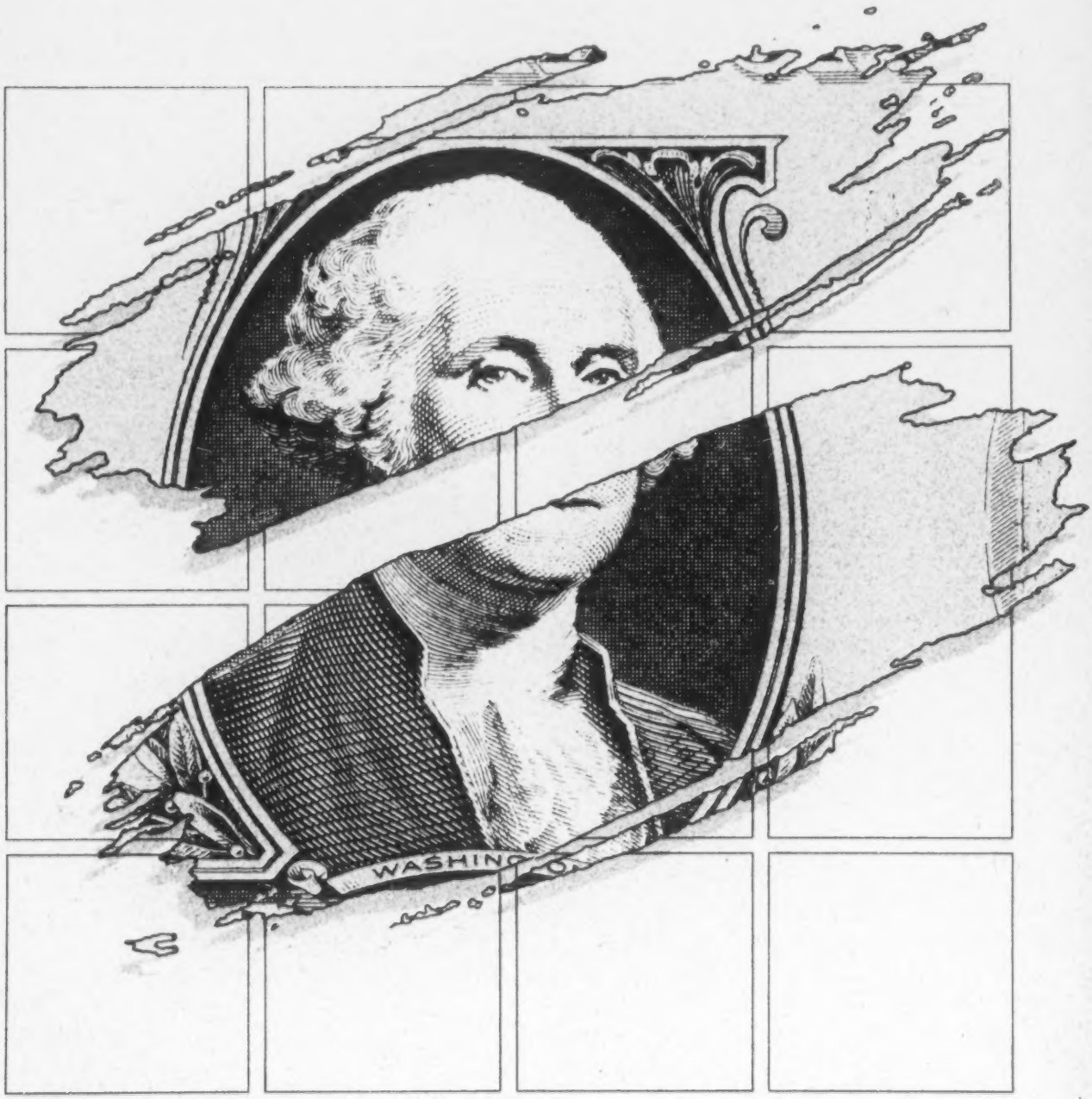

ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

The Economic Forecasting Center was established in 1973 at what was then the school of Business Administration, Georgia State University, to provide an academic environment suitable for business forecasting, conducting research and providing services for the college, the business community and the center's sponsors and subscribers.

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A DIFFERENT SAMENESS EXPECTED IN NEXT TWO YEARS

Dr. Donald Ratajczak
Director
Economic Forecasting Center
Georgia State University

Summary

Tax changes will significantly slow construction activity during the next two years. Tax changes also will restrain investment spending while providing support for consumer spending. Net tax increases in 1987 will tend to slow economic activity while tax reductions in 1988 will prevent a tottering expansion from collapsing into recession.

Offsetting tax restraint in 1987 will be significant improvement in export activity, reduced competition from imports, and some inventory rebuilding. The dollar's further declines early in 1987 have increased some commodity prices and have encouraged more aggressive inventory accumulations. Inflationary pressures also have been fueled by an unusually cold winter in Europe and greater resolve by non-OPEC oil producing nations to follow OPEC's lead in restricting production. Although temporary lapses from these oil production restraints are anticipated during the spring and summer months, imported oil prices are expected to be 7% higher in 1987 than in 1986, when prices plunged more than 40%. As a result of price pressures from oil and from the dollar's decline, inventory profits will resurface in 1987.

Historically low savings rates will not prevent consumers from providing some support for economic expansion during the next two years. However, automobile sales are expected to fall more than a million units in 1987 while sales of furniture and appliances may weaken in 1988. Stock market gains, which have sent the household ratio of assets to outlays soaring more than 15% above normal, should prevent any serious collapse in consumer spending, at least until a decline in stock market values threatens the value of these assets, as may occur in 1988.

When fuel oil prices ease in the spring, temporary upward pressures on short-term interest rates should end. Significant Federal Reserve accommodation rather than economic sluggishness has prevented interest rates from rising when oil prices were strengthening early in 1987. Interest rates almost certainly will increase later in the year as the Federal Reserve slowly tries to restrain inflationary pressures.

On balance, economic growth will continue the 2.5% channel that developed in the middle of 1984. However, improving trade, increasing inventory investment, along with rising inflation and ultimately rising interest rates

will begin to emerge. By 1988, the Federal Reserve may be facing a significant policy dilemma as it must choose between continuing to encourage an increasingly tottering expansion or begin to fight increasing inflation and rising cost pressures.

Equity values have begun outstripping fundamentals, although fundamentals also are continuing to improve. Apparently, stock market investors are assuming that some of the improved profitability as a result of inventory profits can be sustained. Our current projections anticipate a gap between stock market performance and fundamental evaluations of more than 16% in the second quarter of 1987, more than enough to normally create a significant correction. However, speculative desires appear to be running so strongly that a correction may be forestalled until fundamentals begin declining. Such a decline is anticipated when interest rates begin rising during the latter part of 1987.

Recent Activity and Outlook

Substantial shifting of consumer and producer spending from 1987 into the fourth quarter of 1986 materialized. Automobile sales rose more than 250,000 above sustainable levels in December because of the loss of sales tax deductibility. (This shift in spending as a result of an effective 2% increase in automobile prices is unprecedented and suggests that some irrational behavior developed because of anticipated tax changes.) Because of changes in the depreciable life of assets put in service, many investors rushed to receive capital goods during the fourth quarter. Under old law, such goods could be depreciated for a half year. Under new law, such goods can only be depreciated on the basis of the quarter in which they are placed in service. On balance, about $12 billion of final demand probably was shifted into the fourth quarter at the expense of early 1987.

However, automobile producers recognized that these sales gains were temporary. They met sales shifts out of prevailing inventories with minimal impact upon production. As a result, auto inventories were depleted in the fall and will be replenished in the winter.

The effects of capital spending upon economic activity appear to be more lasting. Because demand late in 1986 was greater than anticipated, orders accelerated for parts. This surge in orders led to increased hirings and rising production in the capital goods and metal fabrication industries. Part of the reason for this different response is the declining dollar, which is encouraging substitution away from foreign producers. Therefore, the capital goods industry cannot sort out the orders because of tax-induced shifting from orders that are spawned by improving domestic purchases. In addition, manufacturing inventories have been unusually low relative to sales because commodity prices had been falling. In effect, buying tomorrow normally meant buying cheaper. However, capital goods prices have risen more than 10% on imported items. This has begun to exert upward pressures upon domestic prices as well.

Of course, higher oil prices than had been anticipated also are creating increasing inflation. Not only has OPEC been able to agree to production limitations, but they also have been able to encourage non-OPEC producers to restrain their production. In addition, an unusually cold winter in Europe has significantly depleted excess heating oil inventories. Thus, oil prices are less vulnerable to a springtime decline than appeared likely only a few months

ago. Prices still are expected to fall in the spring. Our projections show the value of imported oil falling from $19 per barrel early in the winter to only $16 per barrel during the summer. However, prices will average 7% higher for imported oil in 1987 than in 1986. A further 8% increase in oil prices is anticipated for 1988, with prices reaching $20 per barrel by the end of that year. This increased oil inflation is generating higher consumer and producer prices during the first quarter. Indeed, prices could exceed 6% at annual rates for both indices in January and February.

In addition to increasing oil prices, a sharp further decrease in the dollar's value in January has begun to create price increases for some commodities. The dollar's value is expected to fall further, although rising short-term interest rates in the United States along with some declining rates abroad have momentarily stayed the downward course of the dollar. In addition, increasing economic activity from inventory rebuilding and some import displacement is greater early in 1987 than had originally been anticipated. Therefore, a long-awaited decline in the discount rate continues to be postponed. After oil prices weaken in the spring, such a decline may materialize, although the odds are now only slightly better than 50% that any further discount rate cut will be forthcoming this year.

Even the booming stock market will stimulate economic activity in 1987. Already, household assets have appreciated nearly $400 billion in 1987 from the boom in equity values. Such unusual gains in asset values will continue to preserve unusually low savings rates. First, the mere volume of asset transactions is leading to a surge in spending for financial services. Although most payments for stock transactions are from the appreciated value of the assets themselves, asset changes are not considered as additions to purchasing power. However, commissions and other financial fees must be considered as purchases of services. The result is a downward bias in the savings rate whenever financial transactions surge. Second, rising equity values reduce the need to divert current income to savings programs in order to meet future purchase requirements.

Also, an improving stock market probably will increase investment intentions. To a large extent, the surging market will offset the adverse effects upon investment from the repeal of the investment tax credit. Thus, capital spending and consumption will be enhanced in 1987 because of a strong stock market. If the stock market declines in 1988, as projected, then weakness will occur in both of those components, at least toward the end of that year.

Improving manufacturing production in the United States has raised prospects of rising profitability. However, renewed commodity inflation also is adding to near-term corporate profitability. Operating profits are projected to be up a strong 9.4% in 1987, but increasing corporate taxes will reduce these gains to only 3% after tax liabilities. However, renewed inventory profits will lead to after-tax profit gains of more than 16%, up dramatically from only a 3% increase in 1986. It is possible that equity investors are looking at increased inventory profits and are incorrectly assuming that long-term profitability has also increased. Of course, widespread anticipations of further weakness in interest rates justifiably provide investment incentives. These interest rate declines are less likely to develop now that the economy appears to be growing at a stronger rate early in 1987. Thus, fundamentals are not improving as dramatically as equity values.

Our analysis suggests that a stock market cycle follows three important phases in its upside path. First, fundamentals begin improving and the stock market is slow to recognize these changes. According to our estimates, the stock market generally traded below what a valuation formula would have suggested was the appropriate price for equity values during 1985. Then, the market fully appreciates improving fundamentals and rapidly moves in response to their changes. Because of more than a 20% decline in long-term interest rates during 1986, fundamentals suggested a dramatic surge in equity values. Indeed, our stock market formula suggests that a 38% increase in the market's value was justified last year. The Dow Jones Index, in fact, rose 35%. Finally, the stock market overstates the gains in fundamentals, creating a gap until a critical point is reached. Although the market could then adjust sharply downward once a gap between current and fundamental values becomes large, it is more likely that the stock market rally can persist until fundamentals clearly deteriorate. According to our projections, such a deterioration is anticipated, but not before the fall of 1987. Therefore, equity values could experience a strong upward path through most of this year but would be unlikely to continue moving upward into 1988.

In general, inventory rebuilding and a more rapidly improving trade picture than expected previously is leading to stronger economic gains early in 1987 than had been projected. This will lead to higher interest rates than had been previously estimated, at least toward the end of the year. In addition, inflationary pressures are beginning to develop, although changes in the CPI should still be less than 4% in 1987. Prices will increase more than 4% in 1988, however. Construction still is expected to slump because of the transitional effects of tax reform while the consumer is expected to modestly retrench. However, a surging stock market will blunt the magnitude of any consumer withdrawal from the economy. As a result, economic growth will be a very similar 2.4% for 1987 and a slightly more sluggish 2.0% in 1988. However, this continuing modest growth will begin spawning rising interest rates and increasing cost pressures that usually are a prelude to more turbulent economic times ahead.

Assumptions

Most of the economic assumptions are contained in tables 5 and 6. Our tables diverge sharply from forecasts of budget deficits made by the Administration and the Congress. In effect, only a very modest improvement in the government deficit is anticipated over the next two years. Some of this divergence is a result of different accounting mechanisms. Our tables are based on an accrual method. Because the investment tax credit was repealed retroactive to the beginning of 1986, corporate tax changes have been revised to reflect that effect. In the government budget process, however, collections will occur in fiscal year 1987. Thus, nearly $20 billion of reduced deficits will occur because of such differences in accounting methods.

We also are assuming a much slower reduction in farm aid than contained in the budget. Defense spending continues to rise more vigorously than projected by the Congress. Because some slowing has developed in the defense components, our estimates could be excessive. However, much of the acceleration in defense spending is increased purchases of nondurables, generally reflecting higher prices for energy.

We continue to assume that most states will accept the higher revenues generated as a result of the federal change in definition of taxable income. If states do not accept these increased revenues, they will be running unusually large deficits as a result of a relatively sluggish economy and the loss of general revenue sharing.

Prices are expected to increase relative to unit labor costs in an attempt to shift increased corporate tax liabilities to the consumer. At the same time, wage pressures continue to moderate slightly as a result of cost control efforts by corporations and reduced wage demands by employees from higher after-tax wage returns. However, previous projections that productivity would be significantly enhanced during the next two years as a result of tax reform have been eliminated.

The Federal Reserve apparently was excessively accommodative late in 1986 in an effort to preserve reduced interest rates. The best measure of Federal Reserve policy appears to be the expansion of the monetary base. Because of Federal Reserve concerns about the dollar's decline and the possibility of resurging inflation, slight reductions in accommodation have been assumed in this latest forecast. Although a discount rate cut is expected for the spring, this outlook is no longer held with firm conviction. Rising interest rates are almost a certainty late in 1987. The Federal Reserve probably will remain modestly accommodative in 1988.

Other assumptions used in this forecast include the following:

a. OPEC is expected to have gradually increasing success in dictating oil prices over the next two years. Import prices are expected to fall during the spring but will rise again next winter. By the middle of 1988 domestic oil prices will have risen to a level that will begin exploration again. However, domestic production will continue to decline for the remainder of this decade, causing oil imports to rise from 1.9 billion barrels in 1985 to 2.5 billion barrels in 1988.

b. No significant changes in excise or income taxes were assumed in the forecast period. Crop support prices were expected to retain world levels through the forecast period. No other significant shifts in government policy were anticipated, including significant trade legislation.

c. Social Security taxes are expected to rise to 7.51% in 1988. The wage base was assumed to be $43,800 in 1987 and $45,200 in 1988. The cost of living adjustment for Social Security recipients was 1.1% in the first quarter of 1987 and is expected to be 3.4% in the first quarter of 1988. Indexed items in the federal budget were expected to follow the same adjustments.

d. World trade is expected to grow 4% in 1987 and 3.5% in 1988.

e. No significant strike activity was anticipated.

f. Federal government salary increases were projected at 3.5% for January 1988. No special provisions were expected for the military over the two-year forecast horizon.

CONCLUSION

Transitional effects of tax reform will exert negative forces upon the economy in 1987 and 1988. Construction will decline sharply, with multi-family housing units falling to the vicinity of 500,000 in both years. Commercial construction also should decline sharply throughout the period. In addition, sales of automobiles were shifted into 1986 along with some sales of capital goods.

Much of the adverse transitional effects from tax reform will be offset by improving prospects for American trade. Exports are expected to expand a strong 7.2% after inflation in 1987 and an additional 6.5% in 1988. Imports are expected to show little growth in 1987 and decline modestly in 1988 despite significant increases in imported oil. Indeed, non-oil imports will be falling more than 2% in each of the next two years. Despite this improvement in trade prospects, the dollar is expected to continue weakening throughout the forecast period. An additional 8% decline in the trade-weighted value of the dollar is expected over the next two years.

Inflation should gradually intensify as a result of firming oil prices and the influence of a declining dollar upon imported and domestic prices. In 1987, a rebound in the CPI to an average increase of 3.2% should not cause serious inflationary concerns. However, a futher increase to 4.2% in 1988 may begin to increase wage demands. Wage compensation, after slowing to only a 2.9% rate of increase in 1987 is expected to rebound to a 4.1% gain in 1988. Rising cost pressures may begin exerting increasing inflationary influences later in the forecast period.

Although economic growth will be the same as in past years, the composition of that growth will shift from construction and consumer goods to more industrial goods as imports are displaced. In addition, a declining interest rate environment will gradually give way to rising interest rate pressures while inflationary pressures will begin developing. Although prospects for 1987 look better than several months ago as a result of an improving trade outlook and the need to rebuild depleted inventories, increasing interest rates and cost pressures raise doubts about the continuing longevity of this economic expansion after 1988.

Table 1

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

U.S. Expenditures for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

		1986		1987				1988				Percent Change			Annual		
		III	IV	I	II	III	IV	I	II	III	VI	85-86	86-87	87-88	1986	1987	1988
1.	Personal Consumption Expenditures	2799.8	2819.9	2844.6	2891.7	2935.8	2977.9	3020.1	3064.9	3116.0	3166.3	6.2	5.4	6.2	2762.4	2912.5	3091.8
2.	Autos and Parts	204.7	189.0	168.9	178.5	182.6	185.7	186.7	188.5	191.1	192.5	7.7	-1.9	6.0	182.3	178.9	189.7
3.	Other Durable Goods	209.8	215.2	215.3	215.9	217.4	217.4	218.5	218.8	220.1	221.1	8.4	5.1	1.4	206.1	216.5	219.6
4.	Nondurable Goods	932.8	940.0	955.8	965.3	974.7	986.7	997.1	1009.9	1025.7	1041.6	3.0	4.1	4.9	932.7	970.6	1018.6
5.	Services	1452.4	1475.7	1504.6	1532.0	1561.1	1588.1	1617.8	1647.7	1679.1	1711.1	7.9	7.3	7.6	1441.3	1546.5	1663.9
6.	Gross Private Domestic Investment	675.8	674.5	708.4	713.9	708.1	715.4	718.7	727.3	733.7	734.8	3.8	3.6	2.4	686.5	711.5	728.6
7.	Residential Struct.	221.3	224.6	222.9	221.6	220.4	218.8	220.3	219.7	222.5	224.0	12.9	2.0	0.3	216.6	220.9	221.6
8.	Other Structures	139.5	138.6	137.7	136.5	136.6	138.2	137.0	138.0	139.5	141.5	-7.2	-4.4	1.3	143.6	137.3	139.0
9.	Producers' Durables	319.5	319.5	311.4	320.2	323.0	328.6	329.1	333.5	339.2	343.5	3.8	1.9	4.8	314.9	320.8	336.3
10.	Change in Inventories	-4.5	-8.3	36.4	35.6	28.1	29.8	32.3	36.1	32.5	25.8	---	---	---	11.4	32.5	31.7
11.	Net Export of Goods and Services	-108.9	-115.6	-111.8	-108.0	-104.5	-100.8	-93.1	-90.1	-86.3	-84.6	---	---	---	-105.7	-106.3	-88.5
12.	Exports	370.8	383.4	388.6	394.7	405.6	416.3	426.4	435.9	450.5	463.2	0.9	7.6	10.6	373.0	401.3	444.0
13.	Imports	479.7	499.0	500.4	503.5	510.1	517.1	519.5	526.0	536.8	547.8	6.7	6.1	4.9	478.7	507.8	532.5
14.	Government Purchases of Goods and Services	874.0	889.7	904.0	915.5	929.0	941.2	954.2	965.3	979.7	997.3	6.1	6.6	5.6	865.3	922.4	974.1
15.	Federal	369.3	376.3	382.1	385.5	389.8	396.2	401.7	405.8	410.6	420.7	3.7	5.8	5.5	367.2	388.4	409.7
16.	National Defense	286.8	281.9	290.3	295.3	300.9	300.8	310.4	314.9	321.4	323.6	7.3	6.6	7.0	278.4	296.8	317.6
17.	Other	86.3	94.4	91.8	90.2	88.9	95.4	91.3	90.9	89.2	97.1	-5.2	2.0	0.6	89.8	91.6	92.1
18.	State and Local	504.7	513.3	521.9	530.0	539.2	545.0	552.5	559.5	569.1	576.6	8.0	7.2	5.7	498.1	534.0	564.4
19.	Gross National Product	4240.7	4268.4	4345.2	4412.3	4468.4	4533.7	4599.9	4667.4	4743.1	4813.8	5.3	5.5	6.0	4208.5	4439.9	4706.1
20.	Amount of Change	65.1	27.7	76.8	67.1	56.1	65.3	66.2	67.5	75.7	70.7	---	---	---	210.4	231.4	266.2
21.	% Change*	6.4	2.6	7.4	6.3	5.2	6.0	6.0	6.0	6.6	6.1	---	---	---	5.3	5.5	6.0
22.	% Real Change*	2.8	1.7	2.8	2.8	1.8	3.1	1.1	1.9	2.0	1.6	---	---	---	2.5	2.4	2.0
23.	% Price Change*	3.6	1.0	4.5	3.1	3.4	2.7	4.8	4.0	4.7	4.3	---	---	---	2.7	3.1	3.9
24.	Implicit Price Deflator	115.0	115.3	116.6	117.5	118.5	119.3	120.7	121.9	123.3	124.6	2.7	3.1	3.9	114.5	118.0	122.6
25.	Change in Final Sales	84.0	31.5	32.1	67.9	63.6	63.6	63.7	63.7	79.3	77.4	---	---	---	---	---	---
26.	GNP in 1982 Dollars	3686.4	3702.4	3727.6	3753.8	3770.7	3799.7	3810.5	3828.1	3847.0	3862.0	2.5	2.4	2.0	3676.5	3763.0	3836.9

Table 2

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

U.S. Real Expenditures for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

		1986		1987				1988				Percent Change			Annual		
		III	IV	I	II	III	IV	I	II	III	VI	85-86	86-87	87-88	1986	1987	1988
1	Personal Consumption	2448.0	2445.1	2437.6	2455.3	2470.5	2478.6	2486.1	2494.3	2504.9	2513.4	4.0	1.7	1.6	2418.6	2460.5	2499.7
2	Durable Goods	391.6	381.3	361.9	369.1	371.9	372.1	371.9	371.5	372.6	372.1	7.3	-0.0	0.9	368.9	368.8	372.0
3	Nondurable Goods	875.4	876.2	876.9	879.2	883.0	883.9	884.8	887.0	890.0	892.6	3.7	1.0	0.9	872.4	880.8	888.6
4	Services	1181.0	1187.6	1198.8	1207.0	1215.6	1222.6	1229.4	1235.8	1242.3	1248.7	3.4	2.9	2.3	1177.3	1211.0	1239.1
5	Gross Private Domestic Invest.	651.3	638.8	667.6	669.4	660.7	663.0	661.5	664.2	664.8	661.3	1.9	0.8	-0.3	659.7	665.2	663.0
6	Residential Structures	197.2	199.3	196.7	194.6	192.5	189.9	190.1	188.3	189.4	189.5	9.4	-0.2	-2.1	193.9	193.4	189.3
7	Other Structures	129.5	128.4	126.9	125.3	124.9	125.6	123.9	124.0	124.4	125.3	-11.5	-6.7	-1.0	134.7	125.7	124.4
8	Producers' Durables	324.9	322.6	312.7	319.0	319.2	321.8	319.5	321.0	323.4	324.4	3.6	-0.7	1.2	320.3	318.2	322.1
9	Change in Inventories	-0.3	-11.5	31.3	30.5	24.1	25.7	28.0	30.9	27.6	22.1	---	---	---	10.8	27.9	27.2
10	Net Export of Goods and Services	-163.3	-155.6	-136.5	-132.5	-125.9	-114.2	-103.9	-99.0	-93.9	-90.9	---	---	---	-149.7	-127.3	-96.9
11	Exports	371.2	385.3	390.2	393.1	401.6	408.1	414.0	418.7	427.8	435.3	2.5	7.2	6.5	371.4	398.3	424.0
12	Imports	534.5	540.8	526.7	525.6	527.5	522.3	517.9	517.9	521.7	526.2	10.7	0.9	-0.9	521.0	525.5	520.9
13	Gov't Purchases of Goods & Services	750.4	774.1	758.9	761.6	765.4	772.3	766.8	768.6	771.2	778.2	3.7	2.2	0.9	748.0	764.6	771.2
14	Federal	330.9	353.5	336.9	337.6	339.5	346.7	340.2	341.0	341.8	348.0	3.0	2.0	0.8	333.4	340.2	342.8
15	State & Local	419.5	420.6	422.0	424.0	425.9	425.6	426.6	427.6	429.4	430.2	4.3	2.4	1.0	414.6	424.4	428.5
16	Gross National Product	3686.4	3702.4	3727.6	3753.8	3770.7	3799.7	3810.5	3828.1	3847.0	3862.0	2.5	2.4	2.0	3676.5	3763.0	3836.9
17	Final Demand	3686.7	3713.9	3696.3	3723.3	3746.6	3774.0	3782.5	3797.2	3819.4	3839.9	2.5	1.9	2.0	3666.6	3735.1	3809.8
18	Private Domestic Product	3294.0	3311.8	3338.0	3366.3	3383.7	3412.6	3423.3	3440.1	3456.9	3471.0	2.9	2.8	2.2	3284.4	3375.2	3447.8

Table 3

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

Income Related U.S. GNP Components for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

		1986		1987				1988				Percent Change			Annual		
		III	IV	I	II	III	IV	I	II	III	VI	85-86	86-87	87-88	1986	1987	1988
1.	Compensation of Employees	2507.3	2544.2	2586.6	2619.4	2654.8	2688.5	2738.6	2776.8	2820.7	2862.6	5.5	5.6	6.2	2498.3	2637.3	2799.7
2.	Wage and Salary	2081.1	2111.1	2144.9	2172.7	2202.6	2230.9	2262.4	2294.1	2331.2	2366.5	5.5	5.5	5.7	2073.8	2187.8	2313.6
3.	Manufacturing	470.0	475.8	481.3	487.1	491.4	497.0	501.9	506.7	512.4	517.5	2.4	3.8	4.2	471.3	489.2	509.6
4.	Other Commodity-Producing Industries	151.8	152.9	152.7	153.2	153.1	153.4	154.5	156.0	158.3	160.7	3.0	0.7	2.8	152.0	153.1	157.4
5.	Distributive Industries	488.3	494.2	499.9	505.4	512.2	519.1	526.2	533.8	541.6	549.8	2.5	4.3	5.6	488.0	509.2	537.9
6.	Service Industries	572.8	583.8	596.5	608.2	619.8	631.8	643.6	657.6	672.8	687.5	9.8	8.3	8.4	566.9	614.1	665.4
7.	Military	70.5	71.0	73.4	74.2	74.9	75.1	78.3	78.4	79.0	79.8	3.9	5.6	6.0	70.5	74.4	78.9
8.	Civilian Government	327.9	333.4	341.1	344.6	351.2	354.5	357.9	361.6	367.1	371.2	6.9	7.0	4.8	325.2	347.9	364.5
9.	Supplements	426.3	433.1	441.7	446.7	452.2	457.6	476.2	482.7	489.5	496.1	5.5	5.9	8.1	424.5	449.6	486.1
10.	Proprietors' Income	277.5	283.7	288.1	296.3	300.7	311.6	316.0	318.2	323.3	328.0	9.6	7.3	7.4	278.9	299.2	321.4
11.	Business & Professional	258.0	261.6	264.3	270.6	274.5	281.1	286.7	290.4	294.8	298.6	12.1	8.0	7.3	252.5	272.6	292.6
12.	Farm	19.6	22.2	23.8	25.7	26.2	30.5	29.3	27.8	28.5	29.4	-9.6	0.5	8.3	26.4	26.6	28.8
13.	Rental Income	16.2	17.0	18.4	19.1	19.3	19.8	20.1	20.5	21.1	21.6	104.3	23.0	8.7	15.6	19.2	20.8
14.	Net Interest	292.9	284.1	280.4	278.8	276.4	280.6	283.3	288.5	293.7	301.8	-5.3	-5.4	4.6	294.9	279.1	291.8
15.	Corporate Profits Adj.	302.0	313.4	322.6	327.5	330.7	337.0	333.9	335.7	339.9	337.8	7.3	9.4	2.2	301.2	329.5	336.8
16.	National Income	3396.1	3442.4	3496.1	3541.1	3581.9	3637.5	3691.9	3739.7	3798.7	3851.8	5.2	5.2	5.8	3388.9	3564.2	3770.5
17.	Indirect Business Tax	354.2	353.1	357.1	364.4	368.2	375.0	381.2	387.3	393.5	399.4	5.2	5.0	6.6	348.7	366.2	390.4
18.	Capital Consumption Adj.	-31.8	-37.3	-36.1	-34.2	-31.9	-29.2	-25.8	-22.6	-20.5	-18.5	---	---	---	-33.0	-32.9	-21.9
19.	Capital Consumption Alw.	489.4	499.8	506.7	514.9	523.3	531.7	539.3	546.6	553.9	562.9	4.5	6.4	6.1	488.1	519.2	550.7
20.	Business Transfers	23.5	24.1	24.7	25.3	25.9	26.6	27.2	27.8	28.5	29.2	11.1	10.5	10.0	23.2	25.6	28.2
21.	Net Govt. Subsidies	-1.0	-17.8	-9.3	-4.5	-3.0	-8.0	-5.5	-1.1	-0.3	-5.4	38.5	-45.3	-50.4	-11.3	-6.2	-3.1
22.	Statistical Discrepancy	9.1	4.1	6.0	5.3	4.0	0.1	-8.4	-10.3	-11.3	-5.6	---	---	---	3.5	3.9	-8.9
23.	Gross National Product	4240.7	4268.4	4345.2	4412.3	4468.4	4533.7	4599.9	4667.4	4743.1	4813.8	5.3	5.5	6.0	4208.5	4439.9	4706.1

Table 4

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

Derivation of U.S. Personal Income for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

	1986		1987				1988				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	VI	85-86	86-87	87-88	1986	1987	1988
1 National Income	3396.1	3442.4	3496.1	3541.1	3581.9	3637.5	3691.9	3739.7	3798.7	3851.8	5.2	5.2	5.8	3388.9	3564.2	3770.5
2 Less: Corp. Profits Adj.	302.0	313.4	322.6	327.5	330.7	337.0	333.9	335.7	339.9	337.8	7.3	9.4	2.2	301.2	329.5	336.8
3 Social Insurance	376.7	382.6	393.8	397.8	402.2	406.2	432.9	438.2	444.2	449.7	5.7	6.4	10.3	376.1	400.0	441.3
4 Plus: Gov't Transfers	495.0	497.6	504.0	507.2	513.6	515.6	525.5	529.6	536.6	539.1	5.2	4.0	4.4	490.6	510.1	532.7
5 Old Age, Survivors, etc.	269.6	270.2	273.3	274.3	278.9	279.5	285.6	286.9	292.3	292.9	5.3	3.6	4.7	266.8	276.5	289.4
6 Unemployment Benefits	16.9	16.5	16.3	16.1	16.1	15.9	15.9	15.8	15.8	16.1	3.7	-1.2	-1.2	16.3	16.1	15.9
7 Veterans' Benefits	16.7	16.4	16.7	16.7	16.5	16.2	16.6	16.7	16.4	16.1	0.6	-1.5	-0.5	16.8	16.5	16.5
8 Employees' Retirement	71.0	72.1	73.8	74.7	75.7	76.8	78.3	79.2	80.2	81.4	5.9	6.6	6.0	70.6	75.3	79.8
9 A.F.D.C.	16.3	16.4	16.6	16.6	16.9	16.7	16.9	17.0	17.0	17.1	5.2	2.9	1.8	16.2	16.7	17.0
10 Other	104.4	106.0	107.3	108.8	109.7	110.5	112.2	114.0	114.9	115.5	5.7	5.0	4.7	103.9	109.1	114.2
11 Business Transfers	23.5	24.1	24.7	25.3	25.9	26.6	27.2	27.8	28.5	29.2	11.1	10.5	10.0	23.2	25.6	28.2
12 Interest Transfers	181.0	182.7	182.1	184.8	186.8	191.4	195.8	203.4	205.1	211.7	9.3	3.3	9.5	180.3	186.3	204.0
13 Personal Dividends	82.0	82.7	83.5	84.5	85.6	86.7	87.7	88.8	89.9	91.0	6.3	4.7	5.0	81.2	85.1	89.4
14 Equals: Personal Income	3498.8	3533.4	3574.1	3617.6	3660.9	3714.6	3761.3	3812.8	3874.6	3935.3	5.2	4.4	5.6	3487.0	3641.8	3846.0
15 Less: Personal Tax Payments	519.0	532.2	506.9	512.8	528.3	543.0	524.8	532.0	552.9	569.1	5.5	1.8	4.2	513.4	522.8	544.7
16 Equals: Disposable Personal Income	2979.9	3001.2	3067.2	3104.8	3132.6	3171.6	3236.5	3280.8	3321.7	3366.2	5.2	4.9	5.8	2973.7	3119.1	3301.3
17 Less: Consumption	2799.8	2819.9	2844.6	2891.7	2935.8	2977.9	3020.1	3064.9	3116.0	3166.3	6.2	5.4	6.2	2762.4	2912.5	3091.8
18 Less: Other Outlays	96.1	99.0	100.8	102.9	105.1	107.3	109.6	111.5	113.5	115.8	12.8	9.5	8.2	95.0	104.0	112.6
19 Equals: Personal Savings	84.1	82.3	121.8	110.2	91.7	86.4	106.8	104.4	92.2	84.1	-18.8	-11.8	-5.5	116.3	102.5	96.9
20 Savings Rate (%)	2.8	2.7	4.0	3.5	2.9	2.7	3.3	3.2	2.8	2.5	-23.2	-16.0	-9.9	3.9	3.3	3.0

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

U.S. Federal Government Activity for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

		1986		1987				1988				Percent Change			Annual		
		III	IV	I	II	III	IV	I	II	III	VI	85-86	86-87	87-88	1986	1987	1988
1	Government Receipts	833.1	852.9	845.3	849.9	864.6	884.6	888.4	896.6	922.4	941.6	5.0	4.2	5.9	826.5	861.1	912.3
2	Personal Tax & Non-Tax	365.8	375.6	346.5	349.2	361.2	373.0	351.3	355.4	373.0	385.5	4.7	-1.2	2.5	361.8	357.5	366.3
3	Corporate Profits Tax	84.3	91.7	100.6	97.7	98.3	102.1	101.1	100.3	102.5	104.1	13.4	19.4	2.3	83.5	99.7	102.0
4	Indirect Business Tax	53.4	52.5	54.3	55.7	54.1	55.4	56.3	56.9	57.7	58.3	-6.7	4.9	4.4	52.3	54.9	57.3
5	Contributions for Social Security	329.6	333.1	343.9	347.3	351.0	354.1	379.7	384.0	389.2	393.7	5.6	6.1	10.8	328.9	349.1	386.7
6	Government Expenditures	1030.5	1043.0	1042.1	1047.9	1058.7	1076.3	1086.1	1095.3	1109.4	1134.0	4.6	2.5	4.7	1030.2	1056.3	1106.2
7	Purchases of Goods and Services	369.3	376.3	382.1	385.5	389.8	396.2	401.7	405.8	410.6	420.7	3.7	5.8	5.5	367.2	388.4	409.7
8	Defense	286.8	281.9	290.3	295.3	300.9	300.8	310.4	314.9	321.4	323.6	7.3	6.6	7.0	278.4	296.8	317.6
9	Durables	86.3	85.5	87.7	89.3	91.7	91.4	93.5	95.2	98.7	99.0	10.5	8.8	7.3	82.8	90.0	96.6
10	Nondurables	10.5	10.6	11.0	11.2	11.3	11.7	12.1	12.4	12.7	13.0	-10.4	3.0	11.1	11.0	11.3	12.6
11	Military Compensation	70.5	71.0	73.4	74.2	74.9	75.1	78.3	78.4	79.0	79.8	3.9	5.6	6.0	70.5	74.4	78.9
12	Civilian Compensation	34.3	34.5	35.7	35.8	36.0	36.3	37.5	37.8	38.0	38.3	2.6	5.2	5.4	34.2	36.0	37.9
13	Other Services	77.7	73.1	75.3	77.4	79.3	79.0	81.7	83.5	85.3	86.0	12.5	6.4	8.2	73.1	77.8	84.1
14	Structures	7.6	7.3	7.2	7.4	7.7	7.3	7.3	7.6	7.7	7.5	14.0	6.9	1.7	6.9	7.4	7.5
15	Nondefense	82.6	94.4	91.8	90.2	88.9	95.4	91.3	90.9	89.2	97.1	-6.2	3.0	0.6	88.9	91.6	92.1
16	Durables	4.2	4.3	4.4	4.4	4.5	4.6	4.6	4.7	4.8	4.8	3.0	4.7	5.6	4.3	4.5	4.7
	Nondurables	5.1	16.4	12.1	10.1	7.1	13.8	8.0	6.8	4.4	11.7	---	---	---	11.0	10.8	7.7
17	CCC Inventory Change	-0.4	10.8	6.3	4.2	1.7	7.6	1.7	0.3	-2.2	4.9	---	---	---	5.4	5.0	1.2
18	Other Nondurables	5.5	5.6	5.8	5.9	6.0	6.2	6.3	6.5	6.6	6.8	-5.5	7.2	9.6	5.6	6.0	6.6
19	Compensation	40.5	40.9	42.3	42.3	42.7	42.9	44.2	44.5	44.9	45.1	2.2	5.1	5.0	40.5	42.6	44.7
20	Other Services	26.2	26.4	26.6	26.9	27.3	27.5	27.8	28.0	28.3	28.5	-0.4	2.8	4.0	26.3	27.1	28.2
21	Structures	6.5	6.5	6.4	6.5	6.7	6.6	6.7	6.9	6.8	7.0	-6.8	-4.4	4.6	6.9	6.6	6.9
22	Transfer Payments	403.0	401.1	403.3	407.2	412.9	414.1	418.1	421.7	428.4	430.4	4.5	3.0	3.7	397.5	409.4	424.7
23	Grants-in-Aid to State and Local Governments	108.0	97.7	97.9	99.3	99.7	100.4	99.8	101.3	101.7	102.2	5.1	-4.5	1.9	104.0	99.3	101.3
24	Net Interest Paid	134.7	135.4	134.5	136.2	137.8	141.8	144.9	149.0	152.3	158.2	4.0	1.3	9.8	135.8	137.6	151.1
25	Deficit of Government Enterprises	15.4	32.5	24.3	19.7	18.5	23.8	21.6	17.5	16.4	22.5	23.5	-15.7	-9.6	25.6	21.6	19.5
26	Federal Surplus	-197.4	-190.1	-196.8	-198.0	-194.1	-191.7	-197.7	-198.7	-187.0	-192.4	---	---	---	-203.7	-195.2	-194.0
27	Federal Debt Held by Individuals	1553.3	1580.3	1622.3	1661.0	1702.0	1724.3	1767.7	1801.1	1844.3	1863.8	15.0	10.1	8.5	1523.8	1677.4	1819.2
28	Total Government Surplus	-133.4	-139.1	-147.0	-146.4	-141.8	-134.9	-140.2	-138.7	-127.1	-130.4	---	---	---	-142.7	-142.5	-134.1

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

Selected Economic Variables of the U.S. Economy for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

	1986		1987				1988				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	85-86	86-87	87-88	1986	1987	1988
Private Economy																
1. Change in Private Hourly Wage Costs	4.4	3.0	3.3	2.7	3.0	3.1	5.6	4.1	4.4	4.6	3.0	2.9	4.1	13.41	13.79	14.37
2. Change in Output Per Worker Hour	1.5	-1.1	0.3	0.8	-0.1	1.2	-0.6	0.1	-0.3	-0.1	0.5	0.3	0.1	21.461	21.536	21.556
3. Change in Implicit Unit Labor Costs	1.8	3.5	3.0	1.9	3.1	1.9	6.2	4.1	4.7	4.7	2.5	2.5	4.0	0.625	0.641	0.666
4. Change in Private Price Deflator	3.2	0.4	4.2	3.2	3.0	2.7	4.4	4.2	4.6	4.6	2.4	2.8	3.8	1.134	1.166	1.211
Prices																
5. Consumer Price Index	328.9	330.8	334.4	337.3	340.1	343.4	347.0	351.1	355.2	359.1	1.9	3.2	4.2	328.3	338.8	353.1
6. Industrial Commod. (Producer Price Index)	308.3	309.4	314.5	313.3	313.8	316.1	320.2	322.3	323.7	327.1	-3.6	0.8	2.8	312.1	314.4	323.3
Corporate Economy																
7. After Tax Profit	135.9	148.2	155.4	151.0	156.0	164.3	165.2	165.0	167.9	170.4	2.7	16.1	6.7	135.0	156.7	167.1
8. Inventory Profits	6.1	-8.0	-17.7	-4.2	-6.4	-12.3	-13.6	-8.9	-9.6	-15.4	---	----	---	6.3	-10.2	-11.9
9. Genuine Profits	201.2	199.7	198.1	206.5	208.4	209.6	207.5	210.4	211.9	207.8	5.3	3.4	1.8	198.9	205.7	209.4
10. Mean Closing Dow Jones	1822.3	1874.9	2117.4	2276.3	2141.4	2040.3	1983.7	1956.4	2006.4	1903.6	35.0	19.6	-8.5	1792.8	2143.9	1962.5
11. Mean Closing NY Composite	138.76	139.90	152.26	163.72	156.21	149.03	145.76	143.28	145.21	140.29	25.9	14.2	-7.5	136.0	155.3	143.6
Financial																
12. Monetary Base	247.1	252.5	259.2	264.0	269.1	273.9	278.9	283.9	289.2	294.5	7.9	8.9	7.5	244.7	266.6	286.6
13. Checkable Deposits	506.9	532.7	553.1	565.9	578.4	587.7	596.4	604.2	614.7	625.7	15.4	15.4	6.8	495.1	571.3	610.3
14. M1	685.6	715.0	739.4	755.3	771.0	783.4	795.1	806.0	819.9	834.3	13.2	13.3	6.8	672.5	762.3	813.8
15. Velocity of M1	6.123	5.923	5.835	5.803	5.759	5.751	5.750	5.755	5.747	5.732	-6.8	-6.8	-0.7	6.210	5.787	5.746
16. M2	2721.4	2783.6	2841.6	2895.5	2945.6	2997.9	3049.1	3103.3	3163.6	3221.3	8.0	8.8	7.3	2683.2	2920.2	3134.3
17. Velocity of M2	1.543	1.521	1.518	1.514	1.507	1.503	1.499	1.495	1.489	1.484	-2.4	-2.9	-1.2	1.555	1.511	1.492
18. Federal Funds	6.21	6.27	6.13	5.56	5.38	5.93	6.17	6.37	6.82	7.19	-16.0	-15.5	15.4	6.81	5.75	6.64
19. Prime Rate	7.85	7.50	7.50	7.43	7.16	7.62	7.75	8.00	8.42	8.96	-16.1	-10.9	11.5	8.33	7.43	8.28
20. 6 Month T-Bills	5.59	5.41	5.46	5.26	5.09	5.42	5.56	5.84	6.21	6.47	-21.1	-12.0	13.4	6.03	5.31	6.02
21. Seasoned AAA Corp.	8.83	8.68	8.51	8.34	8.37	8.84	8.96	9.14	9.22	9.43	-20.7	-5.6	7.9	9.02	8.52	9.19
22. FHA Mortgage Rates	10.26	10.15	9.92	9.67	9.48	9.73	10.02	10.17	10.11	10.35	-17.0	-6.1	4.8	10.33	9.70	10.16
Miscellaneous																
23. Housing Starts	1752	1672	1606	1638	1625	1621	1628	1591	1647	1622	4.9	-11.5	-0.0	1833	1623	1622
24. Single Family Starts	1142	1127	1084	1107	1120	1125	1121	1095	1143	1105	10.0	-6.8	0.6	1190	1109	1116
25. Unit Auto Sales	13.17	11.47	9.23	10.07	10.17	10.26	10.20	10.15	10.20	10.10	4.4	-14.5	2.3	11.62	9.93	10.16
26. Civilian Employment	109.979	110.420	111.117	111.803	112.408	113.020	113.587	114.104	114.630	115.207	2.3	2.3	2.0	109.598	112.087	114.382
27. Unemployment Rate	6.9	6.8	6.7	6.6	6.6	6.5	6.4	6.4	6.4	6.4	-2.8	-5.6	-3.0	7.0	6.6	6.4
28. Industrial Production	125.0	126.0	127.1	127.8	128.4	129.5	130.0	130.2	130.9	130.5	0.6	2.5	1.7	125.1	128.2	130.4
29. Asset-Consumption Ratio	4.352	4.358	4.482	4.557	4.444	4.317	4.246	4.181	4.154	4.057	6.4	2.2	-6.5	4.355	4.450	4.159

Table 7

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

U. S. Foreign Trade Accounts for 1985 and 1986 with Forecasts for 1987 through 1988

	1985	1986	1987	1988	Percent Change 85-86	86-87	87-88
Exports of U.S. Merchandise	212796	217397	236684	261964	2.2	8.9	10.7
Food & Live Animals	19268	17303	18863	21018	-10.2	9.0	11.4
Beverages & Tobacco	2958	2920	3309	3426	-1.3	13.3	3.6
Crude Materials	16939	17324	20940	23483	2.3	20.9	12.1
Mineral Fuels	9971	8115	8318	10140	-18.6	2.5	21.9
Animal & Vegetable Oils	1434	1015	918	1160	-29.2	-9.6	26.4
Chemicals	21759	22766	25168	28533	4.6	10.5	13.4
Manufactured Goods	14009	14005	16090	16058	-0.0	14.9	-0.2
Machinery, Trans. Equipment	93939	95289	103148	113408	1.4	8.2	9.9
Miscellaneous Manufacturing	15338	16718	18755	21150	9.0	12.2	12.8
Commodities, n.e.c.	10960	11011	12753	14605	0.5	15.8	14.5
Imports of Merchandise	361626	385499	406293	421134	6.6	5.4	3.7
Food & Live Animals	20292	22395	21811	22835	10.4	-2.6	4.7
Beverages & Tobacco	4124	4226	4230	4280	2.5	0.1	1.2
Crude Materials	11167	11105	10340	11013	-0.5	-6.9	6.5
Mineral Fuels	55843	41134	43433	48600	-26.3	5.6	11.9
Animal & Vegetable Oils	730	581	570	680	-20.4	-1.9	19.3
Chemicals	15321	15812	16428	17563	3.2	3.9	6.9
Manufactured Goods	49500	51700	50048	51638	4.4	-3.2	3.2
Machinery, Trans. Equipment	141721	166240	178879	181856	17.3	7.6	1.7
Miscellaneous Manufacturing	51684	60079	65055	66913	16.2	8.3	2.9
Commodities, n.e.c.	11245	15042	15500	15758	33.8	3.0	1.7
Foreign Transactions							
Total Exports	369.7	373.0	401.3	444.0	0.9	7.6	10.6
Merchandise Exports	219.6	220.4	242.2	269.9	0.4	9.9	11.4
Factor Income	91.2	89.2	89.0	97.5	-2.2	-0.3	9.6
Other Services	59.0	63.4	70.2	76.2	7.6	10.7	8.5
Total Imports	458.8	478.7	507.8	532.5	4.3	6.1	4.9
Merchandise Imports	341.7	369.8	389.3	403.3	8.2	5.3	3.6
Factor Income	50.1	52.0	59.7	67.8	3.8	14.8	13.7
Other Services	56.9	57.0	58.8	61.4	0.2	3.3	4.4
Transfer	15.0	15.1	15.3	14.8	0.3	1.2	-3.1
Government Interest	21.3	23.0	26.8	31.3	7.6	16.8	16.9
Net Foreign Investment	-115.2	-143.7	-148.5	-134.7	---	---	---
Trade Weighted Value of Dollar (3/73=100)	143.3	112.3	97.4	95.1	-21.6	-13.2	-2.4

Table 8 Economic Forecasting Center February 1987

Implicit Price Deflators for Personal Consumption Expenditures for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

	1986		1987				1988				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	VI	85-86	86-87	87-88	1986	1987	1988
Durable Goods	105.8	106.0	106.2	106.9	107.6	108.3	109.0	109.6	110.4	111.2	0.7	1.9	2.6	105.3	107.2	110.0
% Change	4.4	0.6	0.6	2.6	2.7	2.9	2.3	2.5	2.7	2.9						
Automobiles	111.6	113.0	114.0	115.0	116.1	117.4	118.1	119.1	119.9	121.1	2.5	4.1	3.4	111.0	115.6	119.5
% Change	4.8	5.4	3.3	3.7	3.8	4.6	2.4	3.4	2.7	4.0						
Furniture	97.7	97.1	97.2	97.1	97.2	97.1	97.3	97.4	97.7	97.9	-1.6	-0.6	0.4	97.7	97.1	97.6
% Change	0.3	-2.5	0.3	-0.2	0.3	-0.3	0.8	0.3	1.4	0.8						
Other Durables	106.2	107.6	108.3	109.1	110.1	111.3	112.6	113.8	114.9	116.1	0.9	2.9	4.2	106.6	109.7	114.3
% Change	-0.4	5.5	2.6	2.9	3.6	4.5	4.7	4.4	4.0	4.1						
Nondurables	106.6	107.3	109.0	109.8	110.4	111.6	112.7	113.9	115.2	116.7	-0.6	3.1	4.0	106.9	110.2	114.6
% Change	2.8	2.7	6.6	3.0	2.2	4.6	3.9	4.2	5.0	5.1						
Food	112.8	114.3	115.1	116.0	116.8	117.9	119.1	120.3	121.6	123.1	3.3	4.1	3.9	111.8	116.5	121.0
% Change	9.1	5.3	2.9	3.2	2.8	3.8	4.1	4.1	4.4	5.0						
Apparel	105.6	107.5	108.0	108.5	109.0	110.3	109.9	110.4	111.3	112.3	-0.3	2.8	1.9	106.0	108.9	111.0
% Change	2.4	7.2	1.8	1.8	1.8	4.9	-1.4	1.8	3.3	3.7						
Gasoline & Oil	69.2	67.4	73.3	73.7	73.4	74.7	76.5	78.2	80.2	82.0	-21.6	-2.0	7.4	75.3	73.8	79.2
% Change	-24.1	-9.7	39.9	2.3	-1.8	7.3	10.0	9.2	10.7	8.8						
Fuel Oil	68.8	67.5	70.6	71.3	70.4	72.1	73.5	75.1	76.0	78.4	-19.4	-4.9	6.6	74.7	71.1	75.7
% Change	-28.5	-7.6	19.4	4.2	-5.1	10.2	7.9	9.3	4.9	12.7						
Other Nondurables	120.7	121.3	122.4	123.3	124.4	125.5	126.8	128.0	129.7	131.1	3.6	3.4	4.0	119.8	123.9	128.9
% Change	5.9	2.1	3.5	3.1	3.7	3.5	4.3	3.7	5.4	4.5						
Services	123.0	124.3	125.5	126.9	128.4	129.9	131.6	133.3	135.2	137.0	4.4	4.3	5.2	122.4	127.7	134.3
% Change	4.0	4.2	4.1	4.6	4.8	4.7	5.3	5.4	5.6	5.6						
Housing	125.6	127.3	128.6	130.3	132.0	133.7	135.6	137.7	139.6	141.7	5.9	5.1	5.7	124.8	131.1	138.6
% Change	4.8	5.7	4.1	5.4	5.3	5.2	5.8	6.3	5.7	6.1						
Electricity & Gas	115.2	112.4	112.7	113.1	113.6	113.7	114.6	115.4	116.5	117.8	-0.4	-0.9	2.4	114.3	113.3	116.1
% Change	2.1	-9.4	1.1	1.5	1.8	0.2	3.2	2.7	3.9	4.7						
Household Operations	123.2	123.4	123.3	124.1	125.1	126.2	127.6	128.9	130.3	131.9	4.9	2.1	4.0	122.1	124.7	129.7
% Change	4.1	0.9	-0.6	2.6	3.5	3.5	4.4	4.3	4.4	5.0						
Transportation	112.6	114.2	115.0	116.0	117.1	118.6	120.3	121.9	123.7	125.6	3.1	3.3	5.3	112.9	116.7	122.9
% Change	-0.5	5.9	2.9	3.4	3.9	5.2	6.0	5.4	6.1	6.0						
Medical Care	128.9	131.1	133.4	135.5	137.7	139.9	142.2	144.5	147.0	149.5	5.4	6.3	6.7	128.5	136.6	145.8
% Change	4.7	6.9	7.1	6.5	6.6	6.6	6.7	6.6	7.1	7.0						
Other Services	120.3	121.6	122.7	123.8	125.0	126.1	127.4	128.7	130.2	131.6	3.3	3.8	4.1	119.8	124.4	129.5
% Change	4.2	4.2	3.7	3.6	4.0	3.6	4.2	4.1	4.7	4.3						
Personal Consump Exp	114.4	115.3	116.7	117.8	118.8	120.1	121.5	122.9	124.4	126.0	2.1	3.6	4.5	114.2	118.4	123.7
% Change	3.6	3.2	4.9	3.8	3.4	4.4	4.7	4.7	5.0	5.2						
Consumer Price Index	328.9	330.8	334.4	337.3	340.1	343.4	347.0	351.1	355.2	359.1	1.9	3.2	4.2	328.3	338.8	353.1
% Change	3.2	2.3	4.4	3.5	3.4	3.9	4.3	4.8	4.8	4.5						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

Implicit Price Deflators with Annual Percentage Changes for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

	1986		1987				1988				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	VI	85-86	86-87	87-88	1986	1987	1988
GNP Deflator	115.0	115.3	116.6	117.5	118.5	119.3	120.7	121.9	123.3	124.6	2.7	3.1	3.9	114.5	118.0	122.6
% Change	3.6	1.0	4.5	3.1	3.4	2.7	4.8	4.0	4.7	4.3						
Personal Cons. Exp.	114.4	115.3	116.7	117.8	118.8	120.1	121.5	122.9	124.4	126.0	2.1	3.6	4.5	114.2	118.4	123.7
% Change	3.6	3.2	4.9	3.8	3.4	4.4	4.7	4.7	5.0	5.2						
Private Domestic Investment	103.8	105.6	106.1	106.6	107.2	107.9	108.6	109.5	110.4	111.1	2.0	2.8	2.8	104.1	107.0	109.9
% Change	1.4	7.2	2.0	2.0	2.0	2.7	2.8	3.2	3.2	2.7						
Structures	107.8	108.0	108.5	108.9	109.4	110.0	110.6	111.3	112.1	112.9	4.9	2.4	2.3	106.7	109.2	111.7
% Change	5.0	0.7	1.9	1.5	1.8	2.2	2.2	2.6	2.9	2.9						
Producers' Durables	98.3	99.0	99.6	100.4	101.2	102.1	103.0	103.9	104.9	105.9	0.2	2.5	3.6	98.3	100.8	104.4
% Change	2.9	2.9	2.4	3.3	3.2	3.6	3.6	3.5	3.9	3.9						
Residential Structures	112.2	112.7	113.3	113.9	114.5	115.2	115.9	116.7	117.5	118.2	3.2	2.3	2.5	111.7	114.2	117.1
% Change	1.8	1.8	2.1	2.1	2.1	2.5	2.5	2.8	2.8	2.4						
Exports	99.9	99.5	99.6	100.4	101.0	102.0	103.0	104.1	105.3	106.4	-1.5	0.3	3.9	100.5	100.8	104.7
% Change	-3.9	-1.6	0.4	3.3	2.4	4.0	4.0	4.3	4.7	4.2						
Imports	89.7	92.3	95.0	95.8	96.7	99.0	100.3	101.6	102.9	104.1	-3.6	5.1	5.8	91.9	96.6	102.2
%Change	-5.6	12.1	12.2	3.4	3.8	9.9	5.4	5.3	5.2	4.7						
Federal	111.6	106.5	113.4	114.2	114.8	114.3	118.1	119.0	120.1	120.9	0.7	3.6	4.7	110.2	114.2	119.5
% Change	-0.7	-17.1	28.5	2.9	2.1	-1	14.0	3.1	3.7	2.7						
Federal Purchases	107.9	100.1	108.3	109.1	109.7	[illegible]	112.0	113.2	114.6	115.4	-0.3	2.9	4.4	105.9	109.0	113.8
% Change	-1.5	-25.9	37.0	3.0	2.2	-3.2	12.3	4.4	5.0	2.8						
Federal Value Added	117.9	118.2	122.2	122.9	123.7	124.1	128.8	129.1	129.8	130.4	2.6	4.7	5.1	117.7	123.2	129.5
% Change	1.0	1.0	14.2	2.3	2.6	1.3	16.0	0.9	2.2	1.9						
State & Local	120.3	122.1	123.7	125.0	126.6	128.1	129.5	130.8	132.5	134.0	3.6	4.7	4.6	120.2	125.9	131.7
% Change	3.0	6.1	5.3	4.3	5.2	4.8	4.4	4.1	5.3	4.6						
State & Local Purchases	110.3	111.1	112.4	113.4	114.2	115.4	116.8	118.0	119.4	120.9	0.6	2.9	4.3	110.6	113.9	118.8
% Change	0.7	2.9	4.8	3.6	2.9	4.3	4.9	4.2	4.8	5.1						
State & Local Value Added	128.0	130.5	132.4	134.0	136.3	137.9	139.4	140.9	142.9	144.4	5.9	6.1	5.0	127.3	135.2	141.9
% Change	5.5	8.0	6.0	4.9	7.0	4.8	4.4	4.4	5.8	4.3						

Table 10.

Georgia State University
College of Business Administration
Economic Forecasting Center
February 1987

Consumption Details for 1986-III and 1986-IV with Forecasts for 1987-I through 1988-IV

	1986		1987				1988				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	VI	85-86	86-87	87-88	1986	1987	1988
CURRENT DOLLARS																
Durable Goods	414.5	404.2	384.2	394.4	400.0	403.1	405.2	407.3	411.2	413.6	8.1	1.8	3.5	388.4	395.4	409.3
Motor Vehicles & Parts	204.7	189.0	168.9	178.5	182.6	185.7	186.7	188.5	191.1	192.5	7.7	-1.9	6.0	182.3	178.9	189.7
Furniture	140.0	140.2	141.0	141.5	141.9	141.4	141.4	141.1	141.4	141.6	8.1	3.2	-0.1	137.0	141.5	141.4
Other	68.9	75.0	74.3	74.4	75.5	76.0	77.1	77.7	78.7	79.5	8.7	9.1	4.3	68.8	75.1	78.3
Nondurable Goods	932.8	940.0	955.8	965.3	974.7	986.7	997.1	1009.9	1025.7	1041.6	3.0	4.1	4.9	932.7	970.6	1018.6
Food	494.0	502.2	509.3	514.6	519.8	526.0	532.4	539.1	546.5	554.1	5.0	5.0	4.9	492.8	517.4	543.0
Clothing & Shoes	166.6	166.2	167.5	168.7	169.9	172.5	172.1	173.4	175.7	178.1	6.2	3.0	3.1	164.8	169.7	174.8
Gas & Oil	74.2	74.9	78.6	79.2	79.5	80.1	81.5	83.4	85.7	87.7	-14.4	0.8	6.6	78.7	79.4	84.6
Fuel Oil & Coal	13.7	13.5	13.9	13.9	14.0	14.2	14.4	14.5	14.6	15.2	-11.3	0.4	4.8	14.0	14.0	14.7
Other	184.3	183.2	186.5	188.9	191.5	193.9	196.7	199.5	203.2	206.5	5.5	4.2	5.9	182.5	190.2	201.5
Services	1452.4	1475.7	1504.6	1532.0	1561.1	1588.1	1617.8	1647.7	1679.1	1711.1	7.9	7.3	7.6	1441.3	1546.5	1663.9
Housing	442.8	452.0	459.6	468.8	478.1	487.3	497.2	507.8	517.8	528.5	8.6	8.0	8.3	438.6	473.5	512.8
Household Operations Gas & Electric	89.2	86.8	89.4	89.5	90.8	91.3	92.7	93.9	95.5	97.3	-2.9	3.4	5.1	87.3	90.3	94.9
Household Operations Other	92.5	93.2	93.8	94.9	96.1	97.3	98.6	99.9	101.1	102.6	7.1	4.9	5.3	91.1	95.5	100.6
Transportation	96.8	98.2	99.6	100.9	102.8	104.7	106.6	108.5	110.5	112.5	6.1	6.4	7.4	95.9	102.0	109.5
Medical Care	318.1	325.4	333.6	341.3	349.3	357.2	365.3	373.1	382.2	391.1	8.9	9.3	9.4	315.9	354.4	377.9
Other	413.0	420.2	428.6	436.6	444.0	450.3	457.4	464.5	472.0	479.1	9.0	6.6	6.5	412.6	439.9	468.3
CONSTANT DOLLARS																
Durable Goods	391.6	381.5	361.9	369.1	371.9	372.1	371.9	371.5	372.6	372.1	7.3	-0.0	0.9	368.9	368.8	372.0
Motor Vehicles & Parts	183.5	167.2	148.2	155.2	157.3	158.2	158.1	158.3	159.4	159.0	5.0	-5.7	2.6	164.1	154.7	158.7
Furniture	143.3	144.4	145.1	145.7	146.0	145.6	145.3	144.9	144.7	144.6	9.8	3.8	-0.5	140.3	145.6	144.9
Other	64.9	69.7	68.6	68.2	68.6	68.3	68.5	68.3	68.5	68.5	7.8	2.7	3.2	64.6	66.3	68.5
Nondurable Goods	875.4	876.2	876.9	879.2	883.0	883.9	884.8	887.0	890.0	892.6	3.7	1.0	0.9	872.4	880.8	888.6
Food	437.9	439.5	442.5	443.6	445.0	446.1	447.0	448.1	449.4	450.1	1.7	0.8	1.0	440.7	444.3	448.7
Clothing & Shoes	157.7	154.6	155.1	155.5	155.9	156.4	156.6	157.1	157.9	158.6	6.5	0.2	1.2	155.5	155.7	157.6
Gas & Oil	107.3	111.1	107.2	107.4	108.3	107.2	106.5	106.6	106.8	107.0	9.8	2.2	-0.7	105.2	107.5	106.7
Fuel Oil & Coal	19.9	20.0	19.7	19.5	19.9	19.7	19.6	19.3	19.2	19.4	10.8	4.8	-1.6	18.8	19.7	19.4
Other	152.7	151.0	152.4	153.2	153.9	154.5	155.1	155.9	156.7	157.5	1.9	0.8	1.8	152.3	153.5	156.3
Services	1181.0	1187.6	1198.8	1207.0	1215.6	1222.6	1229.4	1235.8	1242.3	1248.7	3.4	2.9	2.3	1177.3	1211.0	1239.1
Housing	352.6	355.0	357.4	359.8	362.2	364.5	366.7	368.8	370.9	373.0	2.5	2.7	2.5	351.4	361.0	369.9
Household Operations Gas & Electric	77.4	77.2	79.3	79.1	79.9	80.3	80.9	81.4	82.0	82.6	-2.5	4.3	2.6	76.4	79.7	81.7
Household Operations Other	75.1	75.5	76.1	76.5	76.8	77.1	77.3	77.5	77.6	77.8	2.1	2.7	1.2	74.6	76.6	77.6
Transportation	86.0	86.0	86.6	87.0	87.8	88.3	88.6	89.0	89.3	89.6	4.8	3.0	1.9	84.9	87.4	89.1
Medical Care	246.7	248.2	250.1	251.9	253.7	255.3	256.9	258.2	260.0	261.6	3.3	2.9	2.5	245.7	252.8	259.2
Other	343.2	345.6	349.3	352.7	355.2	357.1	359.0	360.9	362.5	364.1	5.6	2.7	2.3	344.4	353.6	361.6

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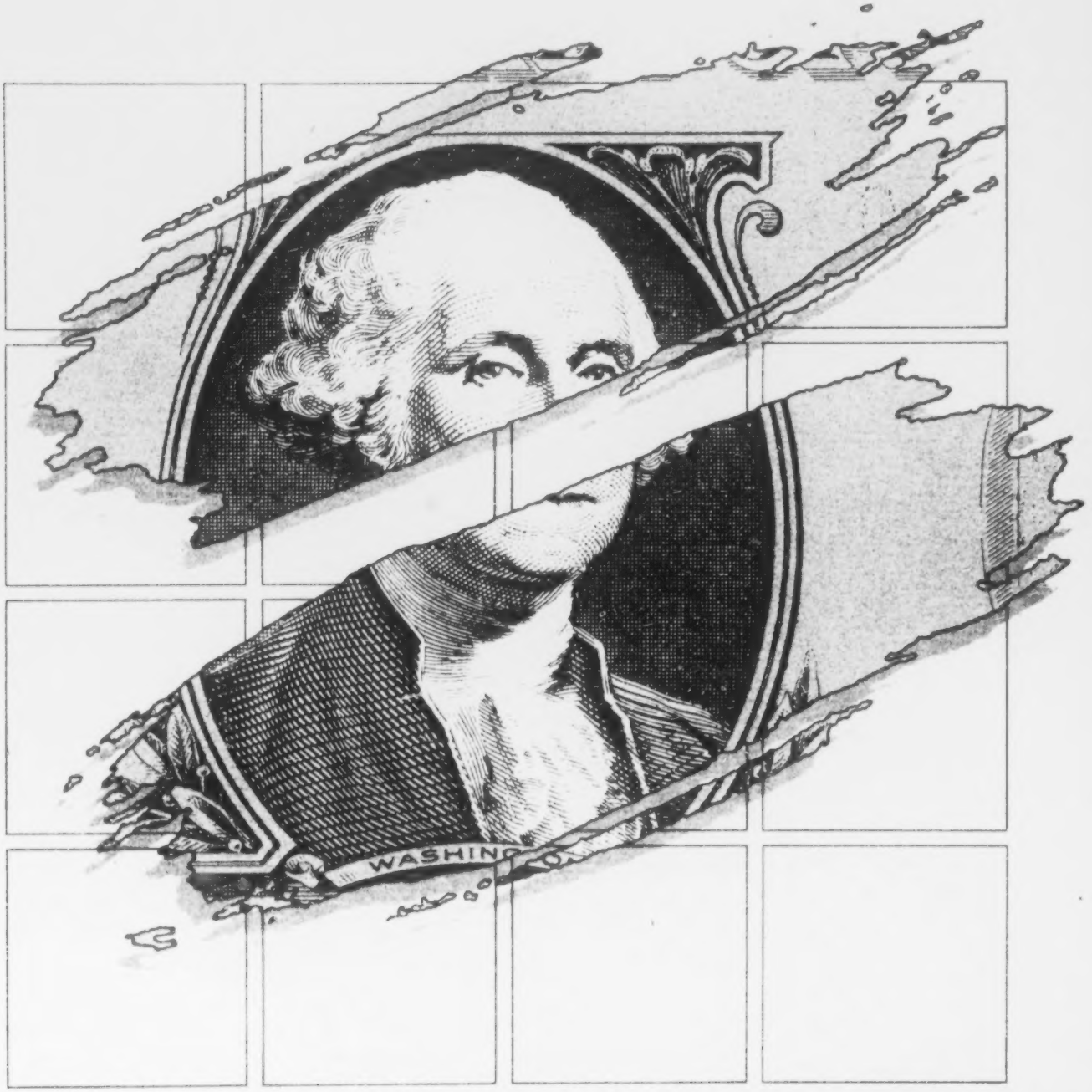
Georgia State University, College of Business Administration, May 1987
Dr. Donald Ratajczak, Director



ECONOMIC FORECASTING CENTER

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INFLATIONARY FEARS PLACE ECONOMIC EXPANSION AT RISK

Dr. Donald Ratajczak
Director
Economic Forecasting Center
Georgia State University

Summary

Inflation fears have resurfaced in recent weeks. The primary cause for these heightened concerns is the continuing downward path of the dollar against most major currencies. While dollar weakness was anticipated in our previous forecast, current foreign exchange values were not anticipated until the end of this year. Apparently, foreign investors have reached their satiation points with respect to longer-term financial assets in the United States. Unless trade flows begin improving, these changing portfolio decisions of foreigners will continue to press the dollar downward. However, in a Catch-22 situation, the falling dollar continues to raise the price of imports, thus denying any significant improvement in trade flows.

The dollar's decline clearly has begun flowing into domestic prices. While the inflation rate as measured by the CPI was as anticipated for the first quarter and was even slightly less than expected for the GNP deflator, crude material prices are rising more rapidly than expected. These price pressures are beginning to influence industrial material prices and are spreading an inflationary psychology that is leading even to price mark-ups on service items, where no substantial import cost pressures currently prevail. As a result of these rising pressures, our forecast on the consumer price index has been raised significantly over the forecast horizon and now shows inflation rates on a calendar year basis of 3.6% in 1987 and 4.5% in 1988, up from only 1.8% in 1986. The GNP deflator also has been revised upward and shows 4.3% inflation in 1988 increasing to more than 5% early in 1989.

These inflationary jitters have sharply increased yields on long-term government instruments. Mortgage rates once again are over 10% and are expected to average nearly 10.5% next year. Higher interest rates are also expected to spread eventually to short-term instruments. However, the Federal Reserve has been attempting to accommodate increased credit market pressures and prevent short-term rates from rising. This has led to even further weakness in the dollar and a greater response in long-term rates than otherwise would occur. Moreover, such a policy probably risks accentuating commodity inflation, leading to speculative accumulations of inventories that ultimately will lead to recessionary behavior. In short, failure to react dramatically against inflationary fears may ultimately lead to recessionary reality.

Our forecast shows the early outlines of recessionary behavior toward the end of 1988. A surge in speculative-induced inventory holdings in 1988 is

expected to be a major contributor to the slowdown. In addition, construction expenditures will continue to decline, with the increase in interest rates adding to the burdens and problems created by tax law changes. While the consumer will continue to provide some support for economic expansion, higher inflationary pressures should eventually drain purchasing power from the household sector. Inflation adjusted consumer spending should slow from 4.1% in 1986 to less than 2% in the next two years. Some of that weakness will be felt in automobile sales, where unit sales may fall below 10 million this year. Although furniture sales are expected to continue growing rapidly until housing activity falls, sales on furniture and appliances should slow sharply in 1988 and remain subdued into early 1989. Higher energy prices should reduce purchases of petroleum based products, causing nondurable sales to grow much more slowly as well.

Although our projections for economic growth remain within the 2.5% channel that developed in the middle of 1984, the composition is changing significantly. Construction is slowing while trade-based activity is rising. Industrial production, which expanded only 0.6% in 1986, is projected to expand 2.1% in 1987 and a still robust 1.7% in 1988. However, activity will be tailing off significantly by the end of 1988 and a recession may begin before the end of the year.

Equity values apparently are responding to increased profitability associated with intensifying inflationary pressures. At the present time, revenues are being enhanced while costs continue to lag behind. Indeed, operating profits rose a vigorous 8.6% in the first quarter of 1987 according to our estimates. These profit gains during a period when interest rates had not yet begun their surge justified the higher equity values that prevailed. However, cost pressures are beginning to increase and interest rate pressures are rising sharply. As a result, increasing equity values no longer are justified by fundamentals. Market momentum and purchases by foreign investors could generate further equity increases through the spring, but the stock market is vulnerable to a substantial correction before the end of this year.

Recent Activity and Outlook

To some extent, the GNP deflator for the first quarter of 1987 is misleading. Because of the process of using domestic-based prices for adjusting inventories, imported goods which move into inventories and do not yet move to other areas of economic activity are underdeflated. The result is an upward estimate of the real volume of inventories at the same time that imports are being appropriately deflated by accelerating import price pressures. Only when those inventory goods reach final usage, where their price indices will appropriately evaluate their significance, will the GNP deflator capture their impact upon inflation. When the dollar stabilizes, as projected during the second half of 1987, import price pressures will diminish and the GNP deflator will then rise more sharply than other inflationary measures.

Although the declining dollar certainly raises prospects for more substantial inflation in the months ahead, much of the surge in industrial commodity prices during the first quarter was related to a rebound in energy prices. Our estimates show that oil prices rebounded to $16.15 from $13.58 in the fourth quarter. Oil prices are expected to average in excess of $18 per barrel through the remainder of 1987 and then average more than $20 per barrel

by the end of 1988. Thus, energy prices will continue to exert some upward pressures upon inflation, but not the magnitude that prevailed during the first quarter. Excluding energy, inflation in the first quarter was a more subdued 4%. However, even the 4% gain was an acceleration from the previous pricing pressures that had prevailed since 1983. Inflation should temporarily slow as energy prices flatten out during the summer months and then intensify again late in the year. More inflation should develop in 1988 as the effects from a weakening dollar begin to spread from import commodities to the pricing patterns of domestically produced products and ultimately to wage costs. Moreover, wage costs will increase early in 1988 because of a social security tax increase.

The dollar's accelerating weakness late in the first quarter appears to be the result of two events. First, trade flows for February were exceptionally negative for the United States. This raised the spectre that trade deficits would continue to expand for several more months. Second, many foreign investors had thought that coordinated action would be used to stem the dollar's fall. Of course, such coordinated action cannot rely exclusively upon intervention, but must entail changes in domestic macroeconomic policies. By the time the financial ministers met in Washington, however, it was apparent that Germany was unwilling to make any policy shifts and the United States was only moderately improving its budgetary deficits. While Japan ultimately agreed to further monetary ease, it is not clear that that is the type of policy that is appropriate for Japan at the present time, especially in light of speculative fervor in land and stock market values. Thus, the expected support of the dollar exchange rate did not develop and foreign investors became exceedingly discouraged as a result.

At the present time, the United States can supply an hour of manufacturing labor at a lower dollar cost than Germany or Japan. Although the productivity differentials have narrowed, American workers still remain the most productive in the world. Thus, fundamental economic forces should begin to reduce trade deficits. However, as long as the dollar continues to fall, import prices continue to rise. As a result, the trade deficits do not narrow and the surplus dollars being accumulated in foreign portfolios continue to become more burdensome. Thus, in order to strengthen the dollar, foreign investors must be encouraged to purchase American assets even though they still are worried about currency risk. This can be achieved by increasing the interest rate differential on financial assets in the United States and in other developed countries. Once that widening differential has stabilized currency markets, the improved competitiveness of American industry will begin to work toward shrinking trade deficits. However, this requires concerted Federal Reserve action, including discount rate increases, which the Federal Reserve shows no inclination to engage in at the present time.

Unfortunately, such Federal Reserve hesitancy can lead to substantial imbalances in inventory investment. Thus far, increasing commodity inflation has been so new and so intermittent that few speculative inventory holdings have developed. The surge in inventories during the first quarter was caused by two conditions. First, the Commodity Credit Corporation reduced its purchases of farm products. This led to a reduction in government spending, which is counted as final demand, and an increase in farm inventories. However, the change in commodity credit action had minimal impact upon farm production. Excluding the Commodity Credit Corporation activities, final sales during the first quarter would have expanded 0.4% rather than falling 2.2%. Second, auto producers continued to overestimate the strength of the auto market. 62% of the increase

in inventories during the first quarter was associated with increased automobile inventories. Much of this involuntary inventory accumulation will be removed by production slowdowns in the second quarter.

What is of greater concern is accumulating inventories that now are projected late this year and in 1988 as a result of intensifying commodity inflation. These inventory holdings are stimulated by changes in the cost of storage and in the perception of shortages. Purchasing agents will be more aggressive in keeping the warehouses full if they anticipate that prices will be rising for the commodities they are buying. Those speculative inventory holdings which still could be prevented by permitting short-term rates to move higher, stemming the dollar's weakness and the resulting commodity price pressures, will combine with continuing weakness in construction activity to dramatically raise the risk of recession by the end of 1988.

Although we are forecasting significantly higher interest rates over the next eight quarters, much of that interest rate increase already has occurred. Indeed, if our projections of inflation are correct, long-term interest rates already have discounted 1988 inflation. The bond markets are expected to regroup and generate a modest rally in the spring, leading to slightly lower interest rates during the summer. Then, increasing inventory holdings will begin putting upward pressures upon interest rates late this year.

Higher interest rates are expected to slow housing activity. Multi-family starts already have been slowing dramatically as a result of reduced tax incentives in the new tax codes. Until vacancy rates fall to levels that provide higher rental rates, weakness is expected to continue in the multi-family area. However, higher mortgage rates now suggest that single-family starts will not be able to do as well during the forecast period as in 1986. The magnitude of interest rate increase currently projected is not sufficient to create a major slump in housing activity. Nevertheless, overall housing starts, which averaged more than 1.83 million in 1986, are projected to fall to 1.59 million in 1988.

In this economic environment of increasing inflationary pressures, dollar turmoil, and rising interest rates, investment strategies are more difficult to clearly outline. Some resource oriented stocks may begin to do well. Indeed, the end of the slump in oil prices could begin to attract some interest in oil service and oil exploration activities. The weak dollar is increasing the dollar values of copper, lead, zinc, and other metals. However, gold and silver prices already appear to have discounted near term inflationary prospects and should not perform dramatically in the months ahead. If the bond market stabilizes, as the dollar finds support near current levels, some purchases of long-term bonds can certainly be justified at the present time. However, the prospects for interest rate movements are upward, suggesting that signfiicant capital losses can be experienced on bond investments. For example, our estimates of the total rate of return on bonds in 1988 are only 6%, as a 10% yield is discounted by a 4% loss in capital value. Such returns can be achieved at the present time in cash equivalent investments. Moreover, such cash equivalent investments are much less risky. The stock market is expected to reach 2500 as bond prices stabilize late in the spring and early in the summer. However, market fundamentals will not support significant further appreciation of stock values. Certainly, a lightening of stock portfolios would be justified before the end of 1987. Our projections currently show a negative total expected rate of return in the stock portfolio in 1988.

Although rising interest rates, increasing inflationary pressures, prospects for a topping out in the stock market, and the early signs of recessionary potential by the end of 1988 all do not sound like favorable economic conditions, and they are not, the outlook certainly is not that bleak. American industry will be rebounding as a result of the improved competitiveness generated by the falling dollar. Although the world economy is expected to remain sluggish, preventing exports from rising dramtically during the next two years, some export growth and some supplanting of imports will lead to dramatic improvements in the trade accounts after adjustment for inflation. This means that American industrial materials, especially textiles and even auto and steel production, will show improved profitability during the next two years. In some instances, this should nearly fully restore economic health. By the time the inventory excesses begin to press down economic activity, the energy sector will begin turning upward. Thus, the national recession, if it occurs, will probably coincide with a modest rebound in the oil patch. Both multi-family housing and commercial construction will slow significantly, but will be establishing a base from which further growth can be anticipated by the end of 1988. In addition, improved trade flows will be improving trade account balances. Although improvement here will be slow as a result of the increasing earnings by foreign investors in the United States, net foreign investment is expected to fall from a $153 billion deficit early in 1987 to a deficit of less than $136 billion by early 1989. In short, some funadamental shifts in the U.S. economy will be largely accomplished in the next two years.

Unfortunately, one growing concern must be addressed. Increasing inflation generated by the dollar's weakness will gradually become imbedded in higher capital costs and in higher wage demands. Unfortunately, the social security tax increase early in 1988 will accelerate increased labor costs. Thus, the potential for the beginning of a new inflationary spiral is significant. Indeed, preventing these inflationary pressures from becoming fully imbedded in the cost structure of American industry probably should be foremost in policy thinking. More aggressive near term reductions in the government deficit, reducing reliance of government auctions upon foreign investors, would help to stabilize both the dollar and financial markets. Rapid response to offset the inflationary fears generated by the dollar's weakness should be foremost in Federal Reserve thinking. Preservation of this expansion by holding short-term interest rates down even as commodity inflation intensifies will not succeed. Indeed, while the economic expansion could be prolonged, such a policy will lead to the excessive inventory holdings that almost certainly will generate a recession by 1989.

Assumptions

The policy assumptions are contained in tables 5 and 6. Stronger growth in government expenditures in 1988 is largely the result of a rebound in oil prices. These higher oil prices lead to substantially higher purchases of nondurable goods than in 1986. However, the size of the federal work force and the pay increases they will receive also are expected to rise. Federal employee wages are expected to rise 3.5% both in January 1988 and January 1989. A special 2% increase is projected for military compensation in the fourth quarter of 1988. It should also be noted that rising interest rates will severely impact the interest component of the budget. As a result, government deficits will not be decreasing next year, despite efforts to move toward Gramm-Rudman targets.

State and local governments are expected to capture some of the increased tax base that many of them will automatically receive as the new tax codes come into effect at the federal level. This occurs because 31 states use the federal definition of income as their taxable income base. This will permit these governments to reestablish balanced budgets near the end of the forecast period despite relatively sluggish economic growth. In contrast, all state and local governments apparently ran a deficit on their operating budgets in excess of $8 billion during the first quarter. This can be achieved by spending previously accumulated surpluses, although most states are denied by constitutional constraints from borrowing for operating budget purposes.

Although the monetary aggregates appear to have slowed significantly during the first quarter, much of this is the result of shifts in portfolio holdings. As short-term interest rates began firming toward the end of the quarter, funds flowed out of checkable deposits and into other short-term instruments. This slowed the growth of checkable deposits. However, currency growth expanded and the monetary base also grew sharply. These growth rates suggest the Federal Reserve did not become more restrictive than the relatively accommodative posture it had taken toward the end of 1986. In defense of the dollar, the Federal Reserve is expected to become less accommodative in the second half of 1987 and remain slightly less accommodative in 1988. A discount rate increase in order to defend the dollar's value is virtually a certainty during the second quarter. At the present time, it is assumed that only that increase will be necessary until the second half of 1988, when intensifying inflationary pressures cause further monetary restraint.

Other assumptions used in this forecast include the following:

a. Oil imports are expected to remain near the 2.4 billion barrel 1986 levels during 1987 and 1988. Those 1986 levels, in contrast, were the result of substantial inventory accumulations of energy product while the imports in the later years will reflect reduced production but little change in consumption of energy materials in the United States. Prices are expected to average $17.77 for imported oil in 1987 and then rise to $19.47 in 1988. Oil prices should exceed $22 per barrel in 1989. Increased exploration in the United States is not anticipated until 1989 while increased American production is not anticipated until 1991. Thus, increased oil prices and increased import dependency is expected over the next five years.

b. Crop support prices were expected to continue reflecting world levels through the forecast period. No significant changes in excise or income taxes were assumed over the forecast period. No significant trade legislation was expected to become enacted.

c. Social security taxes are expected to rise to 7.51% in 1988. The wage base was assumed to be $43,800 in 1987 and $45,200 in 1988. The base was expected to rise to $47,200 in 1989. The cost of living adjustment for social security recipients was expected to be 4.0% in the first quarter of 1988 and 4.6% in the first quarter of 1989.

d. World trade is expected to grow 4% in 1987 and 3.5% in 1988.

e. No significant strike activity was anticipated.

CONCLUSION

Although the dollar is expected to weaken further against major leading currencies, most of the dollar's decline already has occurred. As a result, trade balances should gradually stabilize by the third quarter of 1987 and then begin improving. Unfortunately, the dollar's decline already has created substantial inflationary pressures. Consumer prices are expected to rise 3.6% in 1987 and 4.5% in 1988. Price increases in 1989 probably will exceed 5%.

Rising inflationary pressures necessarily lead to higher interest rates. The prime rate very soon will be at 8.25% and then gradually rise to nearly 9% by the end of the forecast period. Most of the surge in long-term interest rates already has occurred. Nevertheless, corporate AAA rates and mortgage rates will average more in 1988 than in 1987.

The increase in interest rates will have an adverse effect upon housing activity and probably accelerate the speed of decline in other construction endeavors. Consumer spending will also grow more slowly, with most of the slowing occurring in automobile sales. When these negative factors are compared to the positive expansion in industrial activity caused by the dollar's weakness, overall economic activity over the next two years will average close to the growth rates of the previous years. However, recessionary tendencies will be developing in 1988, which could lead to a mild recession before the end of that year.

Table 1

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

U.S. Expenditures for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

		1986	1987				1988				1989	Percent Change			Annual		
		IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
1	Personal Consumption Expenditures	2820.4	2854.3	2910.4	2957.4	3005.8	3051.8	3100.7	3151.4	3195.6	3249.0	6.2	6.1	6.6	2762.5	2932.0	3124.9
2	Autos and Parts	186.6	165.9	172.9	176.6	181.3	184.5	185.8	188.8	184.3	187.9	7.4	-4.1	6.7	181.7	174.2	185.9
3	Other Durable Goods	216.5	219.5	222.5	225.7	227.8	229.9	231.5	233.6	235.7	236.9	8.6	8.5	3.9	206.4	223.9	232.7
4	Nondurable Goods	940.1	962.8	980.8	993.5	1006.8	1019.3	1034.0	1049.0	1063.4	1077.3	3.0	5.7	5.6	932.8	986.0	1041.4
5	Services	1477.2	1506.1	1534.2	1561.6	1589.9	1618.1	1649.4	1680.0	1712.2	1746.9	7.9	7.4	7.6	1441.7	1548.0	1664.9
6	Gross Private Domestic Investment	663.2	704.8	692.4	700.0	698.2	706.2	719.7	745.3	740.9	725.7	3.4	2.2	4.2	683.7	698.9	728.0
7	Residential Struct	226.0	225.0	227.0	222.8	219.4	220.7	223.2	225.0	225.7	228.3	13.1	3.0	0.0	217.0	223.6	223.7
8	Other Structures	137.5	130.2	127.7	126.9	126.5	126.5	127.7	129.0	130.4	131.8	-7.4	-10.8	0.4	143.3	127.8	128.4
9	Producers' Durables	326.8	316.8	323.1	326.9	335.8	329.8	336.1	341.0	347.0	341.8	4.4	2.8	3.9	316.7	325.7	338.5
10	Change in Inventories	-27.1	32.7	14.6	23.4	16.5	29.2	32.7	50.3	37.8	23.8	---	---	---	6.7	21.8	37.5
11	Net Export of Goods and Services	-110.2	-112.0	-115.6	-113.4	-107.7	-102.2	-99.8	-100.9	-97.3	-92.8	---	---	---	-104.3	-112.2	-100.1
12	Exports	383.5	384.8	393.2	401.4	413.9	425.3	431.2	440.6	453.2	465.3	0.9	6.8	9.9	373.0	398.3	437.6
13	Imports	493.7	496.8	508.8	514.8	521.6	527.5	531.0	541.5	550.5	558.1	6.4	6.9	5.3	477.4	510.5	537.6
14	Government Purchases of Goods and Services	885.3	892.1	910.4	922.7	940.3	950.2	966.6	977.5	996.5	1010.1	6.0	6.0	6.1	864.2	916.4	972.7
15	Federal	372.1	369.2	379.3	383.2	393.3	395.7	404.1	406.1	416.8	421.4	3.4	4.1	6.4	366.2	381.3	405.7
16	National Defense	278.8	288.0	293.6	299.1	301.4	309.0	313.9	320.4	323.3	332.2	7.2	6.5	7.1	277.6	295.5	316.7
17	Other	93.3	81.2	85.7	84.1	91.9	86.7	90.2	85.7	93.5	89.2	-6.5	-3.2	3.8	88.6	85.7	89.0
18	State and Local	513.2	522.9	531.1	539.5	547.0	554.5	562.5	571.4	579.7	588.7	8.0	7.4	6.0	498.0	535.1	567.0
19	Gross National Product	4258.7	4339.2	4397.6	4466.7	4536.6	4606.0	4687.2	4773.3	4835.7	4892.0	5.2	5.4	6.6	4206.1	4435.0	4725.6
20	Amount of Change	18.0	80.5	58.4	69.1	69.9	69.4	81.2	86.1	62.4	56.3	---	---	---	207.9	229.0	290.5
21	% Change*	1.9	7.8	5.5	6.4	6.4	6.3	7.2	7.6	5.3	4.7	---	---	---	5.2	5.4	6.6
22	% Real Change*	1.1	4.3	1.5	2.4	2.5	1.4	2.9	3.1	0.7	-0.8	---	---	---	2.5	2.4	2.2
23	% Price Change*	0.7	3.5	3.8	3.9	3.9	5.0	4.1	4.4	4.6	5.6	---	---	---	2.7	3.0	4.3
24	Implicit Price Deflator	115.2	116.2	117.3	118.4	119.5	121.0	122.2	123.5	124.9	126.6	2.7	3.0	4.3	114.5	117.9	122.9
25	Change in Final Sales	40.6	20.6	76.6	60.3	76.8	56.7	77.7	68.5	74.9	70.3	---	---	---	---	---	---
26	GNP in 1982 Dollars	3696.1	3735.2	3749.2	3771.6	3795.1	3808.1	3835.0	3864.0	3870.9	3863.3	2.5	2.4	2.2	3675.0	3762.8	3844.5

Table 2.

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

U.S. Real Expenditures for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

		1986	1987				1988				1989	Percent Change			Annual		
		IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
1	Personal Consumption	2445.8	2443.1	2464.0	2475.7	2487.6	2498.3	2508.2	2520.3	2522.0	2531.5	4.1	2.0	1.8	2418.7	2467.6	2512.2
2	Durable Goods	380.4	362.5	369.1	371.7	374.3	376.0	375.3	376.3	370.3	371.8	7.2	0.2	1.4	368.6	369.4	374.5
3	Nondurable Goods	875.1	877.7	882.9	885.2	887.6	889.4	892.3	896.3	896.6	897.2	3.6	1.3	1.2	872.1	883.4	893.7
4	Services	1190.2	1202.9	1212.0	1218.8	1225.7	1232.9	1240.6	1247.7	1255.1	1262.5	3.4	3.1	2.4	1178.0	1214.9	1244.1
5	Gross Private Domestic Invest.	629.0	669.4	651.1	652.7	646.5	647.3	653.8	670.4	661.0	641.5	1.5	-0.4	0.5	657.3	654.9	658.1
6	Residential Structures	199.7	196.0	195.4	189.3	184.1	183.0	182.8	181.7	180.4	180.5	9.4	-1.4	-4.8	194.0	191.2	182.0
7	Other Structures	127.7	120.4	117.6	116.1	114.9	114.2	114.3	114.6	114.9	115.1	-11.6	-12.9	-2.3	134.6	117.3	114.5
8	Producers' Durables	330.1	321.9	326.4	327.9	333.8	325.6	328.9	330.8	333.7	325.8	4.2	1.7	0.7	322.2	327.5	329.8
9	Change in Inventories	-28.5	31.0	11.7	19.4	13.7	24.5	27.8	43.3	32.0	20.1	---	---	---	6.6	19.0	31.9
10	Net Export of Goods and Services	-148.0	-134.2	-128.6	-121.8	-113.6	-104.8	-100.0	-99.1	-92.0	-85.7	---	---	---	-147.8	-124.6	-99.0
11	Exports	385.8	384.2	388.5	393.5	401.3	407.8	409.1	413.7	420.1	425.3	2.5	5.5	5.3	371.5	391.9	412.7
12	Imports	533.8	518.4	517.1	515.3	514.9	512.6	509.1	512.8	512.1	511.0	10.3	-0.5	-0.9	519.3	516.4	511.7
13	Gov't Purchases of Goods & Services	769.3	756.9	762.7	765.0	774.6	767.3	773.0	772.4	779.9	776.0	3.5	2.4	1.1	746.8	764.8	773.2
14	Federal	348.6	332.3	336.3	337.0	345.2	337.0	340.9	339.0	345.6	340.2	2.7	1.7	0.9	332.2	337.7	340.6
15	State & Local	420.7	424.6	426.4	428.0	429.4	430.3	432.1	433.4	434.3	435.8	4.3	3.0	1.3	414.6	427.1	432.5
16	Gross National Product	3696.1	3735.2	3749.2	3771.6	3795.1	3808.1	3835.0	3864.0	3870.9	3863.3	2.5	2.4	2.2	3675.0	3762.8	3844.5
17	Final Demand	3724.6	3704.2	3737.5	3752.2	3781.4	3783.6	3807.2	3820.7	3838.9	3843.2	2.6	2.0	1.8	3668.4	3743.8	3812.6
18	Private Domestic Product	3305.9	3345.8	3360.0	3383.7	3407.6	3418.4	3447.7	3476.7	3482.8	3475.2	2.8	2.8	2.4	3283.0	3374.3	3456.4

Table 3

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

Income Related U.S. GNP Components for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

		1986	1987				1988				1989	Percent Change			Annual		
		IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
1	Compensation of Employees	2542.1	2577.5	2612.7	2645.9	2682.1	2733.2	2772.5	2816.9	2855.3	2903.5	5.5	5.3	6.3	2498.0	2629.6	2794.5
2	Wage and Salary	2109.8	2142.5	2171.9	2200.0	2230.6	2264.4	2297.9	2335.9	2368.2	2406.8	5.5	5.4	6.0	2073.5	2186.3	2316.6
3	Manufacturing	475.4	477.8	481.1	484.9	490.5	494.2	499.3	505.2	509.2	511.6	2.4	2.6	3.8	471.2	483.6	502.0
4	Other Commodity-Producing Industries	152.9	155.1	156.0	155.5	155.7	156.4	158.3	159.9	161.7	163.6	3.0	2.3	2.2	152.0	155.6	159.1
5	Distributive Industries	493.9	500.6	508.4	514.4	522.1	529.0	536.6	544.9	551.8	558.8	2.5	4.0	5.7	491.8	511.4	540.6
6	Service Industries	583.2	595.8	609.1	622.4	635.7	649.3	664.4	680.0	695.2	711.1	9.8	8.7	9.2	566.7	615.8	672.2
7	Military	71.0	72.6	72.5	72.8	73.3	75.4	75.9	76.5	76.9	80.2	3.9	3.3	4.6	70.5	72.8	76.2
8	Civilian Government	333.4	340.4	344.8	350.0	353.3	360.1	363.4	369.4	373.4	381.5	6.9	6.8	5.6	325.2	347.1	366.6
9	Supplements	433.0	435.2	440.8	445.9	451.5	468.8	474.6	481.0	487.1	496.7	5.5	4.4	7.8	424.5	443.4	477.9
10	Proprietors' Income	283.2	297.9	303.5	300.6	306.2	309.4	313.6	316.6	318.9	321.8	9.6	8.3	4.2	278.8	302.1	314.6
11	Business & Professional	262.2	269.5	273.2	276.1	279.9	282.7	285.3	290.7	292.3	293.4	12.2	8.7	4.8	252.7	274.7	287.8
12	Farm	21.0	28.4	30.3	24.5	26.3	26.7	28.3	25.9	26.6	28.4	-10.6	4.8	-1.8	26.1	27.4	26.9
13	Rental Income	14.8	15.1	15.0	15.5	15.8	15.4	15.9	16.4	16.4	16.2	97.0	2.2	4.4	15.0	15.4	16.0
14	Net Interest	280.4	281.8	284.3	290.3	295.5	300.2	306.7	312.9	317.3	320.1	-5.6	-2.0	7.4	294.0	288.0	309.3
15	Corporate Profits Adj.	311.2	338.0	334.7	339.3	346.9	341.4	343.1	349.3	348.9	339.9	7.1	13.0	1.8	300.7	339.7	345.7
16	National Income	3432.3	3510.3	3550.2	3591.6	3646.5	3699.6	3751.8	3812.1	3856.3	3901.5	5.1	5.6	5.7	3386.4	3574.7	3780.0
17	Indirect Business Tax	352.8	358.3	364.2	369.9	376.7	383.1	389.5	396.5	402.6	409.3	5.2	5.3	7.0	348.6	367.3	392.9
18	Capital Consumption Adj	-36.1	-54.2	-52.1	-49.1	-46.3	-43.3	-40.0	-35.8	-32.1	-27.3	---	---	---	-32.7	-50.4	-37.8
19	Capital Consumption Alw	499.8	522.4	530.4	540.1	549.8	558.6	566.7	573.7	581.8	589.9	4.5	9.7	6.4	488.1	535.7	570.2
20	Business Transfers	24.1	24.6	25.2	25.7	26.3	26.9	27.4	28.0	28.6	29.3	11.1	9.7	8.9	23.2	25.5	27.7
21	Net Govt. Subsidies	-14.8	-21.8	-17.1	-8.0	-14.2	-10.3	-7.0	-4.5	-9.7	-6.1	29.4	44.4	-48.4	-10.6	-15.3	-7.9
22	Statistical Discrepancy	0.5	-0.4	-3.2	-3.5	-2.2	-8.6	-1.2	3.3	8.2	-4.6	---	---	---	2.6	-2.3	0.4
23	Gross National Product	4258.7	4339.2	4397.6	4466.7	4536.6	4606.0	4687.2	4773.3	4835.7	4892.0	5.2	5.4	6.6	4206.1	4435.0	4725.6

Table 4

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

Derivation of U.S. Personal Income for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

	1986	1987				1988				1989	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
1 National Income	3432.3	3510.3	3550.2	3591.6	3646.5	3699.6	3751.8	3812.1	3856.3	3901.5	5.1	5.6	5.7	3386.4	3574.7	3780.0
2 Less: Corp. Profits Adj.	311.2	338.0	334.7	339.3	346.9	341.4	343.1	349.3	348.9	339.9	7.1	13.0	1.8	300.7	339.7	345.7
3 Social Insurance	382.5	387.5	392.4	396.7	401.5	428.0	433.4	439.8	445.0	457.9	5.7	4.9	10.7	376.1	394.5	436.6
4 Plus: Gov't Transfers	497.8	506.0	510.3	517.0	520.5	533.3	537.2	543.5	547.3	559.3	5.2	4.7	5.2	490.6	513.5	540.3
5 Old Age, Survivors, etc.	270.2	274.3	275.7	279.5	280.6	288.8	290.1	294.8	295.5	303.2	5.3	4.0	5.3	266.8	277.5	292.3
6 Unemployment Benefits	16.5	16.1	16.0	16.4	16.5	16.7	16.7	16.6	16.9	17.3	3.7	-0.3	2.9	16.3	16.3	16.7
7 Veterans' Benefits	16.4	16.6	16.6	16.5	16.2	16.5	16.5	16.4	16.3	16.7	0.6	-1.8	-0.3	16.8	16.5	16.4
8 Employees' Retirement	72.1	73.6	74.5	75.4	76.7	78.2	79.2	80.1	81.5	82.4	5.9	6.3	6.3	70.6	75.1	79.8
9 A.F.D.C.	16.4	16.3	16.3	16.5	16.4	16.3	16.2	16.4	16.5	16.5	5.2	0.9	-0.2	16.2	16.4	16.4
10 Other	106.1	109.2	111.2	112.7	114.1	116.8	118.5	119.2	120.6	123.2	5.8	7.6	6.2	104.0	111.8	118.8
11 Business Transfers	24.1	24.6	25.2	25.7	26.3	26.9	27.4	28.0	28.6	29.3	11.1	9.7	8.9	23.2	25.5	27.7
12 Interest Transfers	184.9	185.8	189.6	193.6	199.1	203.7	210.7	215.9	220.9	224.4	9.5	6.2	10.8	180.8	192.0	212.8
13 Personal Dividends	82.7	84.1	86.0	87.8	89.6	91.4	93.1	94.6	96.2	97.6	6.3	7.0	8.0	81.2	86.9	93.8
14 Equals: Personal Income	3527.9	3585.3	3634.2	3679.8	3733.5	3785.4	3843.7	3905.1	3955.9	4014.3	5.2	5.0	5.9	3485.7	3658.2	3872.5
15 Less: Personal Tax Payments	534.9	523.2	529.2	542.5	557.4	539.1	546.9	562.7	577.1	571.4	5.7	4.7	3.4	514.1	538.1	556.5
16 Equals: Disposable Personal Income	2993.0	3062.0	3105.0	3137.3	3176.1	3246.3	3296.8	3342.4	3378.8	3442.9	5.1	5.0	6.3	2971.6	3120.1	3316.1
17 Less: Consumption	2820.4	2854.3	2910.4	2957.4	3005.8	3051.8	3100.7	3151.4	3195.6	3249.0	6.2	6.1	6.6	2762.5	2932.0	3124.9
18 Less: Other Outlays	98.3	98.6	99.1	99.9	100.9	102.1	103.4	104.6	106.2	107.6	12.6	5.0	4.5	94.9	99.6	104.1
19 Equals: Personal Savings	74.2	109.2	95.5	80.0	69.4	92.4	92.7	86.4	77.0	86.3	-20.4	-22.5	-1.6	114.3	88.5	87.1
20 Savings Rate (%)	2.5	3.6	3.1	2.5	2.2	2.8	2.8	2.6	2.3	2.5	-24.1	-26.0	-7.9	3.9	2.9	2.6

Table 5

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

U.S. Federal Government Activity for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

		1987				1988				1989	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
1 Government Receipts	854.5	853.2	860.1	874.9	894.6	899.9	909.6	929.9	948.0	948.9	5.1	5.3	5.9	826.9	870.7	921.9
2 Personal Tax & Non-Tax	376.1	365.1	368.2	378.6	389.9	368.1	372.0	384.2	395.5	386.1	4.7	3.7	1.2	361.9	375.5	380.0
3 Corporate Profits Tax	93.0	96.0	94.9	96.0	99.9	101.0	101.8	104.1	106.2	104.0	13.8	15.4	6.8	83.8	96.7	103.3
4 Indirect Business Tax	52.5	53.0	53.9	53.7	54.4	54.9	55.3	55.9	56.5	56.9	-6.7	2.7	3.5	52.3	53.8	55.7
5 Contributions for Social Security	332.9	339.1	343.1	346.6	350.4	375.9	380.5	385.7	389.8	401.9	5.6	4.8	11.1	328.9	344.8	383.0
6 Government Expenditures	1043.4	1049.7	1062.1	1066.9	1093.4	1103.9	1122.1	1132.3	1156.5	1166.8	4.6	3.7	5.7	1030.3	1068.0	1128.7
7 Purchases of Goods and Services	372.1	369.2	379.3	383.2	393.3	395.7	404.1	406.1	416.8	421.4	3.4	4.1	6.4	366.2	381.3	405.7
8 Defense	278.8	288.0	293.6	299.1	301.4	309.0	313.9	320.4	323.3	332.2	7.0	6.5	7.1	277.6	295.5	316.7
9 Durables	84.3	87.3	89.7	91.5	92.6	94.2	96.1	99.2	99.9	101.6	10.1	9.5	7.8	82.5	90.3	97.4
10 Nondurables	10.1	10.8	11.5	11.8	12.1	12.3	12.6	12.9	13.1	13.4	-11.4	6.5	10.2	10.9	11.6	12.7
11 Military Compensation	71.0	72.6	72.5	72.8	73.3	75.4	75.9	76.5	76.9	80.2	3.9	3.3	4.6	70.5	72.8	76.2
12 Civilian Compensation	34.5	35.4	35.7	36.0	36.1	37.3	37.5	37.8	38.0	39.6	2.6	4.8	5.2	34.2	35.8	37.7
13 Other Services	72.1	75.2	77.4	79.8	80.3	82.5	84.3	86.5	88.0	89.9	12.1	7.3	9.1	72.9	78.2	85.3
14 Structures	6.7	6.6	6.8	7.2	7.0	7.3	7.5	7.5	7.4	7.5	11.5	1.8	7.6	6.8	6.9	7.4
15 Nondefense	93.3	81.2	85.7	84.1	91.9	86.7	90.2	85.7	93.5	89.2	-6.5	-3.2	3.8	88.6	85.7	89.0
16 Durables	4.1	3.9	4.0	4.0	4.1	4.2	4.2	4.3	4.3	4.4	1.8	-5.3	6.3	4.2	4.0	4.3
Nondurables	15.9	3.7	7.4	5.0	12.8	5.9	8.9	3.4	10.8	4.2	---	---	---	10.8	7.2	7.3
17 CCC Inventory Change	10.4	-1.5	2.1	-0.3	7.3	0.4	3.3	-2.2	5.3	-1.6	---	---	---	5.3	1.9	1.7
18 Other Nondurables	5.5	5.2	5.3	5.3	5.5	5.5	5.6	5.6	5.5	5.8	-5.9	-4.1	4.2	5.6	5.3	5.6
19 Compensation	40.8	41.9	42.1	42.5	42.7	44.1	44.2	44.7	44.9	46.8	2.1	4.6	5.1	40.5	42.3	44.5
20 Other Services	25.8	24.6	25.3	25.7	25.5	25.8	26.0	26.3	26.4	26.8	-0.9	-3.4	3.4	26.2	25.3	26.1
21 Structures	6.7	7.1	6.9	6.9	6.8	6.7	6.9	7.0	7.1	7.0	-6.1	0.4	0.0	6.9	6.9	6.9
22 Transfer Payments	401.8	405.5	408.8	413.7	415.8	423.5	428.3	433.3	434.8	441.8	4.6	3.3	4.6	397.7	411.0	430.0
23 Grants-in-Aid to State and Local Governments	104.1	101.4	100.8	101.4	103.2	102.8	104.0	104.3	106.0	104.9	6.7	-3.7	2.5	105.6	101.7	104.3
24 Net Interest Paid	135.9	136.8	140.8	145.0	150.9	155.3	162.0	167.0	171.7	174.7	4.1	5.5	14.4	135.9	143.4	164.0
25 Deficit of Government Enterprises	29.5	36.8	32.4	23.6	30.2	26.6	23.7	21.6	27.2	24.0	19.9	23.7	-19.4	24.9	30.8	24.8
26 Federal Surplus	-188.8	-196.5	-202.0	-192.0	-198.8	-204.0	-212.5	-202.4	-208.5	-217.9	---	---	---	-203.4	-197.3	-206.9
27 Federal Debt Held by Individuals	1580.3	1614.6	1658.1	1708.1	1739.8	1775.0	1818.8	1871.0	1902.9	1942.9	15.0	10.3	9.6	1523.8	1680.1	1841.9
28 Total Government Surplus	-129.4	-147.6	-155.2	-144.6	-146.5	-150.4	-156.0	-143.8	-147.2	-158.2	---	---	---	-140.3	-148.5	-149.4

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

Selected Economic Variables of the U.S. Economy for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

	1986	1987				1988				1989	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
Private Economy																
1. Change in Private Hourly Wage Costs	3.5	0.3	3.8	3.6	3.9	6.4	4.3	4.5	4.7	5.5	2.9	2.4	4.7	13.40	13.73	14.37
2. Change in Output Per Worker Hour	-1.2	-0.1	-0.3	1.2	0.8	-0.2	1.5	1.2	-0.4	-1.8	0.5	0.1	0.6	21.443	21.458	21.596
3. Change in Implicit Unit Labor Costs	3.9	0.4	4.1	2.3	3.0	6.6	2.8	3.3	5.1	7.4	2.5	2.3	4.0	0.625	0.640	0.665
4. Change in Private Price Deflator	0.1	3.1	4.0	3.8	3.8	4.9	4.2	4.3	4.8	5.1	2.4	2.8	4.3	1.134	1.166	1.215
Prices																
5. Consumer Price Index	330.8	334.5	338.6	342.2	345.9	349.3	353.7	357.5	361.8	366.4	1.8	3.6	4.5	328.4	340.3	355.6
6. Industrial Commod. (Producer Price Index)	309.4	315.0	316.8	318.1	320.5	324.5	326.6	328.1	331.3	335.8	-3.6	1.8	3.2	312.1	317.6	327.6
Corporate Economy																
7. After Tax Profit	144.5	151.5	151.0	156.4	161.3	162.0	163.0	165.2	168.9	166.6	2.0	15.7	6.3	134.0	155.1	164.8
8. Inventory Profits	-7.2	-7.3	-7.2	-8.3	-9.2	-15.4	-13.6	-9.9	-15.0	-15.2	---	---	---	6.5	-8.0	-13.5
9. Genuine Profits	196.1	219.0	217.0	219.8	222.4	215.5	216.1	219.4	216.2	210.0	4.8	10.9	-1.3	198.0	219.6	216.8
10. Mean Closing Dow Jones	1874.9	2186.7	2371.4	2167.3	2126.7	2073.5	1962.5	2032.5	1893.4	1904.3	35.0	23.4	-10.1	1792.8	2213.0	1990.5
11. Mean Closing NY Composite	139.90	159.29	169.21	162.73	156.53	151.72	146.45	151.43	139.74	139.63	25.9	19.0	-9.0	136.0	161.9	147.3
Financial																
12. Monetary Base	252.5	259.5	263.3	268.2	272.5	276.7	282.1	287.6	292.0	296.3	7.9	8.6	7.0	244.7	265.9	284.6
13. Checkable Deposits	532.4	551.0	565.1	570.3	579.0	592.4	602.9	613.2	621.9	631.5	15.4	14.2	7.3	495.7	566.4	607.6
14. M1	714.8	738.0	754.4	762.5	773.9	790.3	804.0	817.6	829.3	842.4	13.2	12.5	7.0	673.2	757.2	810.3
15. Velocity of M1	5.912	5.837	5.788	5.818	5.823	5.790	5.793	5.802	5.796	5.772	-6.9	-6.2	-0.4	6.202	5.816	5.796
16. M2	2778.6	2823.0	2867.4	2912.9	2961.9	3014.5	3064.5	3120.4	3170.7	3224.8	8.0	7.8	7.0	2681.6	2891.3	3092.5
17. Velocity of M2	1.521	1.526	1.523	1.523	1.521	1.518	1.520	1.520	1.516	1.508	-2.4	-2.1	-0.3	1.555	1.523	1.519
18. Federal Funds	6.27	6.22	6.59	6.78	6.72	6.59	6.88	7.13	7.32	7.06	-16.0	-3.3	6.1	6.81	6.58	6.98
19. Prime Rate	7.50	7.50	8.06	8.25	8.25	8.25	8.25	8.63	8.75	8.75	-16.1	-3.8	5.7	8.33	8.02	8.47
20. 6 Month T-Bills	5.41	5.54	6.09	6.22	6.14	6.02	6.25	6.48	6.61	6.40	-21.1	-0.5	5.7	6.03	6.00	6.34
21. Seasoned AAA Corp.	8.68	8.37	9.24	9.46	9.29	9.13	9.38	9.56	9.71	9.43	-20.7	0.8	3.9	9.02	9.09	9.45
22. FHA Mortgage Rates	9.87	9.30	10.13	10.43	10.17	10.04	10.27	10.50	10.62	10.27	-17.0	-2.4	3.5	10.26	10.01	10.36
Miscellaneous																
23. Housing Starts	1672	1808	1713	1638	1592	1619	1588	1600	1565	1601	4.9	-7.9	-5.6	1833	1688	1593
24. Single Family Starts	1127	1266	1184	1127	1096	1113	1105	1124	1076	1098	10.0	-1.8	-5.5	1190	1168	1105
25. Unit Auto Sales	11.47	9.40	9.85	9.96	10.13	10.25	10.13	10.26	9.43	9.56	4.4	-15.3	1.9	11.62	9.84	10.02
26. Civilian Employment	110.420	111.254	111.908	112.364	112.917	113.427	113.906	114.389	114.824	115.235	2.3	2.3	1.8	109.598	112.111	114.137
27. Unemployment Rate	6.8	6.7	6.5	6.5	6.5	6.6	6.5	6.5	6.5	6.6	-2.8	-6.4	-0.3	7.0	6.5	6.5
28. Industrial Production	126.0	126.8	127.1	127.9	129.0	129.0	129.6	130.5	130.3	129.0	0.6	2.1	1.7	125.1	127.7	129.9
29. Asset-Consumption Ratio	4.365	4.566	4.558	4.460	4.375	4.305	4.212	4.217	4.075	4.050	6.4	3.1	-6.5	4.395	4.492	4.202

Table 7

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

U. S. Foreign Trade Accounts for 1985 and 1986 with Forecasts for 1987 through 1988

	1985	1986	1987	1988	Percent Change 85-86	86-87	87-88
Exports of U.S. Merchandise	212796	217393	228912	257120	2.2	5.3	12.3
Food & Live Animals	19268	17303	17514	18885	-10.2	1.2	7.8
Beverages & Tobacco	2958	2920	3444	3738	-1.3	17.9	8.5
Crude Materials	16939	17324	20057	22233	2.3	15.8	10.8
Mineral Fuels	9971	8115	7366	8063	-18.6	-9.2	9.4
Animal & Vegetable Oils	1434	1015	764	868	-29.2	-24.7	13.5
Chemicals	21759	22766	24210	28170	4.6	6.3	16.4
Manufactured Goods	14009	14005	16461	19560	-0.0	17.5	18.8
Machinery, Trans. Equipment	93939	95289	98938	109065	1.4	3.8	10.2
Miscellaneous Manufacturing	15338	16718	18262	21105	9.0	9.2	15.6
Commodities, n.e.c.	10960	11011	13467	15838	0.5	22.3	17.6
Foreign Merchandise	6221	10928	8430	9598	75.7	-22.9	13.9
Imports of Merchandise	361626	387089	399256	418346	6.6	3.1	4.8
Food & Live Animals	20292	22395	22398	23983	10.4	0.0	7.1
Beverages & Tobacco	4124	4226	4471	4403	2.5	5.8	-1.5
Crude Materials	11167	11176	11626	13360	-0.5	4.0	14.9
Mineral Fuels	55843	39838	44455	49922	-26.3	11.6	12.3
Animal & Vegetable Oils	730	581	486	539	-20.4	-16.4	10.9
Chemicals	15321	15812	16312	17780	3.2	3.2	9.0
Manufactured Goods	49500	51700	51482	51878	4.4	-0.4	0.8
Machinery, Trans. Equipment	141721	166240	171379	175360	17.3	3.1	2.3
Miscellaneous Manufacturing	51684	60079	63764	67008	16.2	6.1	5.1
Commodities, n.e.c.	11245	15042	12884	14115	33.8	-14.3	9.6
Foreign Transactions							
Total Exports	369.7	373.0	398.3	437.6	0.9	6.8	9.9
Merchandise Exports	219.6	220.3	235.9	261.9	0.3	7.1	11.0
Factor Income	91.2	89.1	89.6	96.3	-2.4	0.6	7.5
Other Services	59.0	63.8	72.9	79.4	8.2	14.2	9.0
Total Imports	448.7	477.4	510.5	537.6	6.4	6.9	5.3
Merchandise Imports	341.7	368.4	393.6	409.6	7.8	6.8	4.1
Factor Income	50.1	51.9	58.6	67.0	3.7	12.8	14.3
Other Services	56.9	57.1	58.3	61.1	0.4	2.2	4.7
Transfer	15.0	15.2	16.0	16.3	1.2	5.3	1.9
Government Interest	21.3	22.4	22.8	26.6	5.0	2.0	16.6
Net Foreign Investment	-115.2	-141.9	-151.0	-143.0	---	---	---
Trade Weighted Value of Dollar (3/73=100)	143.3	112.3	96.7	92.7	-21.6	-13.9	-4.2

Implicit Price Deflators for Personal Consumption Expenditures for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

	1986	1987				1988				1989	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
Durable Goods	106.0	106.3	107.1	108.2	109.3	110.2	111.2	112.3	113.4	114.3	0.7	2.4	3.7	105.2	107.7	111.8
% Change	0.5	1.3	3.1	4.2	4.0	3.4	3.6	3.9	4.2	3.0						
Automobiles	112.9	112.9	113.8	114.9	116.2	116.9	118.1	119.0	120.7	121.6	2.5	3.1	3.7	111.0	114.4	118.7
% Change	4.9	-0.1	3.2	4.1	4.7	2.4	4.2	2.9	5.9	3.1						
Furniture	97.2	98.5	98.7	99.5	100.1	100.8	101.4	102.4	102.8	103.4	-1.5	1.5	2.7	97.7	99.2	101.8
% Change	-1.8	5.2	0.9	3.3	2.2	3.0	2.4	3.8	1.6	2.4						
Other Durables	107.6	109.0	110.5	112.0	113.5	115.0	116.3	117.8	119.3	120.8	0.9	4.4	5.3	106.5	111.2	117.1
% Change	5.4	5.3	5.8	5.7	5.2	5.5	4.5	5.4	5.1	5.1						
Nondurables	107.4	109.7	111.1	112.2	113.4	114.6	115.9	117.0	118.6	120.1	-0.5	4.3	4.4	107.0	111.6	116.5
% Change	3.3	8.7	5.2	4.2	4.3	4.2	4.5	4.1	5.5	5.1						
Food	114.5	115.2	116.4	117.5	118.5	119.6	120.8	121.9	123.1	124.5	3.3	4.5	3.8	111.9	116.9	121.3
% Change	5.9	2.6	4.3	3.8	3.5	3.7	4.1	3.7	4.1	4.6						
Apparel	107.4	107.9	109.6	110.7	112.1	112.8	114.0	115.2	116.7	117.6	-0.3	3.8	4.2	106.0	110.1	114.6
% Change	6.8	1.7	6.5	4.1	5.2	2.6	4.2	4.3	5.3	3.2						
Gasoline & Oil	67.4	75.0	77.0	78.0	79.1	80.7	81.9	82.9	85.4	87.6	-21.6	2.6	7.1	75.3	77.2	82.7
% Change	-9.6	52.7	11.3	5.2	5.8	8.4	6.2	5.0	12.5	10.8						
Fuel Oil	67.9	74.0	74.3	74.0	75.3	76.7	77.9	78.1	81.3	83.4	-19.3	-0.5	5.5	74.8	74.4	78.5
% Change	-5.6	41.5	1.6	-1.4	6.9	7.6	6.6	1.2	17.3	10.8						
Other Nondurables	121.3	122.8	124.1	125.6	127.1	128.5	130.1	131.6	133.2	134.9	3.6	4.2	4.8	119.8	124.9	130.8
% Change	1.9	5.0	4.3	5.0	4.9	4.5	5.2	4.6	5.1	5.1						
Services	124.1	125.2	126.6	128.1	129.7	131.2	133.0	134.6	136.4	138.4	4.3	4.1	5.0	122.4	127.4	133.8
% Change	3.7	3.6	4.5	5.0	5.0	4.8	5.3	5.2	5.4	5.8						
Housing	127.2	128.4	130.1	131.9	133.8	135.7	137.8	139.8	141.9	144.1	5.9	5.0	5.9	124.8	131.0	138.8
% Change	5.2	3.8	5.5	5.6	5.9	5.8	6.4	5.9	6.2	6.3						
Electricity & Gas	112.7	112.9	113.7	114.9	114.5	114.8	115.8	116.9	117.4	119.5	-0.3	-0.3	2.0	114.4	114.0	116.3
% Change	-8.6	0.8	3.0	4.0	-1.1	1.0	3.5	3.8	1.7	7.2						
Household Operations	123.4	123.2	123.8	124.9	126.1	127.2	128.4	129.6	131.0	132.3	4.9	2.0	3.6	122.1	124.5	129.0
% Change	0.8	-0.7	2.0	3.7	3.8	3.5	4.0	3.8	4.3	4.2						
Transportation	114.3	115.6	116.9	118.8	120.7	122.6	124.5	126.2	128.3	130.4	3.1	4.5	6.3	112.9	118.0	125.4
% Change	6.2	4.8	4.6	6.5	6.8	6.2	6.5	5.6	6.6	6.7						
Medical Care	130.9	132.2	133.7	135.4	137.3	139.2	141.2	143.3	145.6	147.9	5.4	4.8	5.7	128.5	134.7	142.3
% Change	6.1	4.2	4.4	5.2	5.8	5.6	5.8	6.1	6.6	6.5						
Other Services	121.3	122.5	123.8	125.0	126.4	127.6	128.9	130.2	131.5	133.0	3.2	3.9	4.1	119.7	124.4	129.5
% Change	3.2	3.9	4.3	4.0	4.6	3.8	4.1	4.1	4.1	4.6						
Personal Consump Exp	115.3	116.8	118.1	119.5	120.8	122.2	123.6	125.0	126.7	128.3	2.1	4.0	4.7	114.2	118.8	124.4
% Change	3.2	5.3	4.5	4.8	4.4	4.7	4.7	4.6	5.6	5.1						
Consumer Price Index	330.8	334.5	338.6	342.2	345.9	349.3	353.7	357.5	361.8	366.4	1.8	3.6	4.5	328.4	340.3	355.6
% Change	2.3	4.5	5.0	4.3	4.4	4.0	5.1	4.4	4.9	5.2						

Table 9

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

Implicit Price Deflators with Annual Percentage Changes for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

	1986	1987				1988				1989	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
GNP Deflator	115.2	116.2	117.3	118.4	119.5	121.0	122.2	123.5	124.9	126.6	2.7	3.0	4.3	114.5	117.9	122.9
% Change	0.7	3.5	3.8	3.8	3.8	5.1	4.0	4.3	4.6	5.6						
Personal Cons. Exp	115.3	116.8	118.1	119.5	120.8	122.2	123.6	125.0	126.7	128.3	2.1	4.0	4.7	114.2	118.8	124.4
% Change	3.2	5.3	4.5	4.8	4.4	4.7	4.7	4.6	5.6	5.1						
Private Domestic Investment	105.4	105.3	106.3	107.2	108.0	109.1	110.1	111.2	112.1	113.1	1.9	2.6	3.6	104.0	106.7	110.6
% Change	6.6	-0.6	4.1	3.4	2.8	4.1	3.6	4.0	3.3	3.8						
Structures	107.7	108.1	108.6	109.3	110.1	110.8	111.7	112.6	113.5	114.5	5.7	1.4	2.9	107.5	109.0	112.2
% Change	-0.4	1.5	1.9	2.6	3.0	2.6	3.3	3.3	3.2	3.6						
Producers' Durables	99.0	98.4	99.0	99.7	100.6	101.3	102.2	103.1	104.0	104.9	0.2	1.1	3.2	98.3	99.4	102.7
% Change	2.9	-2.4	2.5	2.9	3.7	2.8	3.6	3.6	3.5	3.5						
Residential Structures	113.2	114.8	116.2	117.7	119.2	120.6	122.1	123.8	125.1	126.5	3.3	4.6	5.1	111.8	117.0	122.9
% Change	3.6	5.8	5.0	5.3	5.2	4.8	5.1	5.7	4.3	4.6						
Exports	99.4	100.2	101.2	102.0	103.1	104.3	105.4	106.5	107.9	109.4	-1.6	1.2	4.3	100.4	101.6	106.0
% Change	-2.0	3.3	4.1	3.2	4.4	4.7	4.3	4.2	5.4	5.7						
Imports	92.5	95.8	98.4	99.9	101.3	102.9	104.3	105.6	107.5	109.3	-3.6	7.5	6.3	92.0	98.9	105.1
%Change	13.1	15.1	11.3	6.2	5.7	6.5	5.6	5.1	7.4	6.9						
Federal	106.7	111.1	112.8	113.7	113.9	117.4	118.5	119.8	120.6	123.9	0.8	2.4	5.5	110.3	112.9	119.1
% Change	-16.4	17.5	6.3	3.2	0.7	12.9	3.8	4.5	2.7	11.4						
Federal Purchases	100.1	105.0	107.6	108.7	109.0	112.0	113.6	115.0	116.1	118.1	-0.3	1.6	6.1	105.9	107.6	114.2
% Change	-25.9	21.0	10.3	4.2	1.1	11.5	5.8	5.0	3.9	7.1						
Federal Value Added	118.2	121.5	121.7	122.3	122.8	126.8	127.2	128.1	128.7	133.8	2.6	3.7	4.6	117.7	122.1	127.7
% Change	1.0	11.6	0.7	2.0	1.6	13.7	1.3	2.9	1.9	16.8						
State & Local	122.0	123.1	124.5	126.1	127.4	128.8	130.2	131.8	133.5	135.1	3.6	4.3	4.6	120.1	125.3	131.1
% Change	5.8	3.7	4.6	5.2	4.2	4.5	4.4	5.0	5.3	4.9						
State & Local Purchases	111.1	112.5	113.8	115.0	116.2	117.7	119.1	120.5	122.1	123.7	0.6	3.4	4.8	110.6	114.4	119.9
% Change	2.9	5.1	4.7	4.3	4.2	5.3	4.8	4.8	5.4	5.3						
State & Local Value Added	130.5	131.5	133.0	134.8	136.3	137.7	139.0	140.9	142.6	144.3	5.9	5.2	4.6	127.3	133.9	140.1
% Change	8.0	3.1	4.6	5.5	4.5	4.2	3.8	5.6	4.9	4.9						

Table 10.

Georgia State University
College of Business Administration
Economic Forecasting Center
May 1987

Consumption Details for 1986-IV and 1987-I with Forecasts for 1987-II through 1989-I

	1986	1987				1988				1989	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	85-86	86-87	87-88	1986	1987	1988
CURRENT DOLLARS																
Durable Goods	403.1	385.4	395.4	402.3	409.1	414.4	417.3	422.4	420.0	424.8	8.0	2.6	5.1	388.1	398.1	418.5
Motor Vehicles & Parts	186.6	165.9	172.9	176.6	181.3	184.5	185.8	188.8	184.3	187.9	7.4	-4.1	6.7	181.7	174.2	185.9
Furniture	141.2	144.1	145.7	147.5	148.6	149.4	150.1	151.0	151.7	152.1	8.3	6.7	2.8	137.3	146.5	150.6
Other	75.3	75.4	76.8	78.2	79.2	80.5	81.4	82.6	84.0	84.8	8.9	12.4	6.1	68.9	77.4	82.1
Nondurable Goods	940.1	962.8	980.8	993.5	1006.8	1019.3	1034.0	1049.0	1063.4	1077.3	3.0	5.7	5.6	932.8	986.0	1041.4
Food	502.1	511.3	519.4	526.1	532.9	539.0	546.1	553.7	560.0	567.2	5.0	6.0	5.2	492.8	522.4	549.7
Clothing & Shoes	166.8	170.0	173.9	176.1	178.0	179.7	182.0	184.6	186.2	188.4	6.3	5.8	4.9	164.9	174.5	183.1
Gas & Oil	74.3	76.9	79.3	80.0	81.3	82.8	84.3	85.5	87.8	90.0	-14.6	1.1	7.2	78.6	79.4	85.1
Fuel Oil & Coal	13.3	13.1	13.3	13.4	13.7	13.8	14.1	14.3	14.8	15.1	-11.6	-3.8	6.5	13.9	13.4	14.3
Other	183.6	191.5	194.9	197.9	200.9	204.0	207.5	210.9	214.6	216.6	5.6	7.5	6.6	182.6	196.3	209.3
Services	1477.2	1506.1	1534.2	1561.6	1589.9	1618.1	1649.4	1680.0	1712.2	1746.9	7.9	7.4	7.6	1441.7	1548.0	1664.9
Housing	451.6	459.0	468.3	477.8	487.8	497.8	508.7	519.3	530.4	541.9	8.6	7.9	8.6	438.5	473.2	514.1
Household Operations Gas & Electric	87.9	85.7	86.9	88.1	88.2	89.0	90.7	91.9	93.0	95.0	-2.6	-0.4	4.5	87.6	87.2	91.2
Household Operations Other	92.2	92.4	93.1	94.2	95.2	96.4	97.6	98.9	100.2	101.5	6.8	3.2	4.9	90.8	93.7	98.3
Transportation	98.6	102.3	104.4	106.3	108.3	110.3	112.3	114.1	116.2	118.5	6.2	7.3	7.5	98.2	105.3	113.2
Medical Care	325.6	332.3	339.0	346.2	353.7	361.2	369.3	377.4	386.1	395.3	8.9	8.5	9.0	316.0	342.8	373.5
Other	421.4	434.4	442.5	449.0	456.7	463.4	470.8	478.4	486.3	494.7	9.1	7.9	6.5	412.9	445.7	474.7
CONSTANT DOLLARS																
Durable Goods	380.4	362.5	369.1	371.7	374.3	376.0	375.3	376.3	370.3	371.8	7.2	0.2	1.4	368.6	369.4	374.5
Motor Vehicles & Parts	165.3	147.0	152.0	153.7	156.0	157.8	157.3	158.7	152.7	154.5	4.7	-7.0	2.9	163.6	152.2	156.6
Furniture	145.2	146.3	147.6	148.2	148.5	148.2	148.0	147.5	147.6	147.1	10.0	5.1	0.1	140.5	147.7	147.8
Other	70.0	69.2	69.5	69.8	69.8	70.0	70.0	70.1	70.4	70.2	7.9	7.7	0.3	64.6	69.6	69.8
Nondurable Goods	875.1	877.7	882.9	885.2	887.6	889.4	892.3	896.3	896.6	897.2	3.6	1.3	1.2	872.1	883.4	893.7
Food	438.7	443.9	446.2	447.8	449.7	450.7	452.1	454.3	454.9	455.6	1.6	1.5	1.4	440.5	446.9	453.0
Clothing & Shoes	155.3	157.6	158.7	159.1	158.8	159.3	159.7	160.3	159.6	160.2	6.6	1.9	0.7	155.6	158.6	159.7
Gas & Oil	110.2	102.6	103.0	102.6	102.8	102.6	102.9	103.1	102.8	102.7	9.6	-2.1	0.1	105.0	102.8	102.9
Fuel Oil & Coal	19.6	17.7	17.9	18.1	18.2	18.0	18.1	18.3	18.2	18.1	10.2	-3.9	1.0	18.7	18.0	18.2
Other	151.4	156.0	157.1	157.6	158.1	158.8	159.5	160.3	161.1	160.6	1.9	3.1	1.7	152.4	157.2	159.9
Services	1190.2	1202.9	1212.0	1218.8	1225.7	1232.9	1240.6	1247.7	1255.1	1262.5	3.4	3.1	2.4	1178.0	1214.9	1244.1
Housing	355.1	357.6	360.0	362.3	364.6	366.9	369.2	371.5	373.8	376.1	2.5	2.8	2.6	351.4	361.1	370.4
Household Operations Gas & Electric	78.0	75.9	76.4	76.7	77.0	77.5	78.3	78.6	79.2	79.5	-2.3	-0.1	2.5	76.6	76.5	78.4
Household Operations Other	74.7	75.0	75.2	75.4	75.5	75.8	76.0	76.3	76.5	76.7	1.8	1.2	1.2	74.4	75.3	76.2
Transportation	86.3	88.5	89.3	89.5	89.7	90.0	90.2	90.4	90.6	90.9	4.9	5.0	1.2	85.0	89.3	90.3
Medical Care	248.8	251.3	253.6	255.7	257.6	259.5	261.6	263.4	265.2	267.3	3.4	3.5	3.1	245.9	254.6	262.4
Other	347.4	354.7	357.5	359.2	361.3	363.2	365.3	367.5	369.8	372.0	5.7	3.9	2.3	344.9	358.2	366.5

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The Nation

1987 III–1989 II

Economic Forecasting Center

Georgia State University, College of Business Administration, August 1987
Dr. Donald Ratajczak, Director

ECONOMIC FORECASTING CENTER

Dr. Donald Ratajczak, Director

The Economic Forecasting Center was established in 1973 at what was then the school of Business Administration, Georgia State University, to provide an academic environment suitable for business forecasting, conducting research and providing services for the college, the business community and the center's sponsors and subscribers.

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CONTINUING ROLLING ADJUSTMENTS KEEP RECESSION OUT OF FORECAST

Dr. Donald Ratajczak
Director
Economic Forecasting Center
Georgia State University

Summary

The intensity of inflationary pressures is slowly subsiding, as the dollar has temporarily stabilized. Oil prices continue to rise significantly, but oil production is substantial and should prevent further serious increases in oil prices through next year. Moreover, the first half surge in meat prices appears to be ending. As a result, consumer prices will only be 4.5% above previous year levels at the end of this year. No significant acceleration in consumer prices is anticipated in 1988. However, a slight upward drift in inflation is expected during the next two years.

This moderation of inflationary pressures reduces the likelihood that inappropriate speculative inventory holdings will develop. As a result, economic imbalances in the industrial sector should not materialize, as feared in our previous forecast. Improvement in trade balances has been stronger than expected and has led to better near term sales conditions for manufacturing, especially nondurables, than anticipated. As a result, manufacturing inventories remain lean entering the second half of 1987. This suggests that industrial activity will remain strong as these inventories are rebuilt.

If improving trade and rising inventory investments were the only changing forces in the economic outlook, economic activity would be intensifying dramatically. However, the first half surge in inflation has sapped consumer purchasing power. As a result, consumer spending will grow only at a 2% rate over the next two years in comparison to more than a 4% growth path over the past two years. Weakness already is apparent in motor vehicles and will begin to become apparent in the furniture sector toward the end of this year. In addition, surprising weakness in food purchases and a slowdown in apparel purchases as prices rose in those two sectors should be reversed as prices begin moderating. Indeed, consumer resistence to rising prices has stalled what otherwise would have been a serious burst of inflationary pressure.

Construction activity also is weakening. Apartment activity has fallen dramatically as a result of tax code changes while single-family activity also weakened notably following a rise in mortgage rates in late April and early May.

These rolling adjustments, with consumption and construction slowing or declining while inventory investment and trade prospects are improving continue

to prevent the cumulation of economic imbalances that normally leads to an economic decline. It now appears more likely that this economic expansion will not end until some supply constraints are reached. As there is significant industrial capacity, the supply constraints that are looming on the horizon are in the skilled labor market. At the present time, there is little evidence that the unemployment rate is at a level that entices significant wage advances. However, another percentage point decline in the unemployment rate could lead to intensifying wage pressures that would be a forerunner of rising inflation followed by intensifying interest rate pressures and an ultimate decline in economic activity. This current forecast foresees the beginning of such a development occurring early in 1989. However, economic growth should continue over the next eight quarters. Thus, the next recession may not develop until the second half of 1989.

Data Revisions

The national GNP revisions provided no major surprises but did reveal several minor curiosities. Consumer spending, especially for services has been significantly understated over the past few years. However, the continued understatement of interest income, which has been revised upward almost without interruption on every revision during this decade, provided sufficient income to offset these increased expenditures. In addition, underestimated income from livestock led to lower farm income projections prior to the data revisions.

Inventory holdings were revised upward, suggesting slight inventory excesses in the hands of retailers. However, this may be the result of too many retailers relative to consumer purchases rather than too many goods on each retailer's shelves. Nevertheless, a slowing in retail employment and construction of square footage should be anticipated.

The most significant income revision aside from the interest rate adjustments was in corporate profits. Despite the booming stock market, profits were revised downward substantially. This adjustment was required because of an upward revision in the interest component. Apparently, a larger percentage of American capital is being supported by debt than had originally been estimated. As a result, investors are paying 25% more for a given earnings stream than earlier data suggested. Two possible explanations for why such high price are being paid for future earnings are as follows:

First, increased volatility in the bond market has increased bond yields. This increased premium for interest rate risk suggests that a given bond yield is less attractive to investors than in the past. As a result, the interest rate discounting used to determine present values for earnings streams may be overdiscounting the attractiveness of those earnings. Indeed, a recent study indicates that bond volatility now surpasses equity volatility.

Second, more foreign investors are entering American markets. They may now be the marginal investor and they have different investment objectives. Because of those objectives, which include liquidity and social stability, higher prices are paid for an earnings stream than in the United States. This would suggest a higher normal price earnings ratio, at least until the foreign investor withdraws from American investments. In the long run, the introduction of the foreign investor's perspective may not be a significant factor in equity values. If that is so, then a significant decline in stock market values could occur

when U.S. investments become unattractive to them. At the present time, however, the higher valuations placed on earnings streams have been accepted and stock price formulations have been adjusted.

Excluding the increased vulnerability of equity values to changing foreign investor sentiment, the data revisions required little adjustment in our forecast. However, a few minor adjustments generated more economic expansion over the next two years than in the absence of the revisions. A significant upward adjustment in alterations and additions to residential investment have decreased the volatility of that expenditures item. More residential investment is forthcoming for any given amount of housing starts than previously was the case. Also, a downward revision in capital spending suggests that excess capacity is not as intense in the industrial sector as previously thought. Thus, any pick-up in industrial activity will generate more investment spending than expected in previous projections. Of course, reduced excess capacity also increases the inflation potential from any industrial pick-up. Finally, excessive retail inventories require a moderate adjustment in that portion of the inventory investment relationship. This leads to more moderate inventory investment than in our earlier forecasts for late 1987 and early 1988.

Recent Activity and Outlook

Following a lull during the second quarter as the automobile industry tried to reduce excess inventories, industrial activity appears to once again be rebounding early in the third quarter. The July employment situation shows the highest percentage of industries reporting additional hirings in more than three years. In addition, strong orders growth for nondurable manufacturing has begun to be translated into increased employment opportunities. A significant rebuilding of manufacturing inventories, which appears to be slightly depleted, may be commencing.

Offsetting the rebound in industrial activity outside of automobiles is the slump in construction. Apartment activity has been falling all year, but single-family housing activity also weakened considerably following the return to double-digit mortgages in April. This will be reflected in reduced construction expenditures during the latter half of this year and into 1988. Reductions in commercial activity have been modest, as absorption rates remain quite strong. However, weakness is expected in that area of construction as well. Partially offsetting the decline in structures will be moderate increases in oil and gas drilling activity. Some of this increased drilling is the result of improving prices, although a significant portion of the modest rebound in oil and gas exploration is to protect leases that are due to expire in the absence of activity. Regardless, increased oil and gas exploration will prevent further significant declines in spending for structures.

Sharp increases in consumer prices already have caused the consumer to retrench. Automobile sales have weakened notably in the spring and are now strengthening only because of new sales incentives. Higher petroleum, apparel, and food prices all have been met by reduced purchases. Price advances that seemed to be so formidable four months ago are grinding to a halt. Consumer resistance to higher prices is substantial and probably is caused by the absence of any significant inflation relief in wage determinations. As wages rebound late this year and early in 1988 to reflect higher inflation rates, this resistance will gradually ease. A higher inflationary environment will develop

in 1988, but the degree of inflationary acceleration is not expected to be dramatic. At the same time, the consumer probably will maintain current reduced rates of expenditures growth.

Despite no apparent progress in policy coordination at the economic summit in Vienna, the dollar has staged a modest rebound against other currencies. Much of this rebound appears to have been stimulated by foreign currency restraints in Japan. In addition, trade deficits are beginning to improve, if only gradually, while inflation appears to be receding again after a first half surge. These improving fundamentals for the dollar are not expected to be sufficient late this year, when it becomes apparent that trade deficit reductions are developing rather slowly. As a result, the dollar should once again fall in value late this year and throughout 1988.

The surge in interest rates that accompanied the surge of inflation has not yet been reversed despite signs that inflation is moderating. Of course, this outlook suggests that interest rates will continue to drift higher as labor scarcity eventually takes hold and raises inflationary pressures in 1988 and early 1989. Interest rates could be anticipating this upward momentum. However, some moderation in interest rates would be more appropriate with the economic environment that is unfolding over the next twelve months. This forecast suggests that interest rate stability is likely over this period of time and the prime rate should remain at 8.25% well into 1988. Unfortunately, interest rate stability still means that mortgage rates will be over 10% for the next two years.

Home buyers are expected to eventually overcome their reluctance to accept 10% mortgages. Thus, housing activity should increase modestly by the end of the year. Nevertheless, further interest rate increases in 1988 will prevent housing from growing significantly above 1.6 million units in that year. In addition, apartment activity is expected to continue correcting in response to new tax legislation until vacancy rates are significantly lower than at the present time.

After adjusting for the desire to pay higher prices for a given earnings stream, these projections show the stock market reaching new highs during the summer. The market then is vulnerable to a moderate sell-off over the next year, although the summer of 1988 may find securities near current valuation levels. However, further weakness in the dollar and prospects of a recession some time in 1989 should begin to discourage investors. The stock market then is expected to fall that year.

Calculating both capital appreciation and income earnings, stock portfolios are expected to outperform both bond portfolios and cash holdings in 1987. In 1988, the expected returns on all three investments appear to be in single-digit territory. However, no significant further deterioration in bond earnings appears to be in store until 1989. Thus, well chosed equities appears to be the most desirable investment under this horizon unless investors wish to seek out gradually developing opportunities in commodities markets.

Although recession never can be fully discounted as the economy is adjusting to changing economic conditions, the current outlook clearly is more favorable than recent forecasts. The consumer can reduce spending growth and construction can begin to eliminate excesses even as inventory rebuilding by nondurable manufacturers and improving trade prospects provide sufficient employment

opportunities to prevent an economy-wide correction. Thus, by the time the trade sector no longer provides significant growth potential toward the end of 1988 or in 1989, a significant portion of the correction in consumer durables and in construction activity already will have been accomplished. An excess inventory overhang still could generate recession at any time, but the outlook continues to be one of no recession over the next two years.

Assumptions

Most of the policy assumptions are contained in tables 5 and 6. Higher oil prices will be noticed in government purchases of nondurables other than commodity credit corporations' needs in both the defense and nondefense components. Thus, a slowdown in government spending that has been apparent in the past two years will end in 1988. In addition, higher interest payments will exert further upward pressures upon the budget. Also, no further restraint on grants-in-aid followed the ending of general revenue sharing in the fall of 1986. Thus, government spending will grow more vigorously next year than this year.

On the receipt side, most of the increasing tax burdens passed on the corporations to finance the latest tax reforms already are in place. This explains the sharp acceleration in corporate tax receipts in 1987. In addition, sharp gains in receipts for personal tax purposes reflect one-time capital gains provisions. Thus, receipts should grow more slowly in all categories except social security in 1988. In the absence of further budgetary initiatives, the 1988 deficit probably will increase by nearly $10 billion.

At the present time, no further effects from Gramm-Rudman expenditures limitations are assumed. Any limitations will require downward adjustments in government spending programs.

Wage increases for federal employees were projected to rise 3.5% in January 1988 and 4% in January 1989. A special 2% increase is projected for military compensation in the fourth quarter of 1988.

After data revisions, state and local governments appear to be in a poorer budgetary position than originally reported. As a result of dramatic increases in purchases, especially of durable equipment, most of the operating surpluses have been spent. When local governments lost their special revenue sharing provisions, they became more restrictive in their purchasing programs. Higher excise taxes and higher tax rates for both personal and corporate incomes are anticipated to partially alleviate this budgetary squeeze of state and local governments.

The shift from Paul Volcker to Alan Greenspan at the Federal Reserve is not expected to have any dramatic effect upon monetary policy. The Federal Reserve has been following an interest rate target during the confirmation process. Slightly more aggressive Federal Reserve accommodation may develop now that the process is completed. However, continued reasonable economic expansion along with gradually accelerating inflation and a renewed downward drift in the dollar eventually will forestall any further Federal Reserve accommodation. Some Federal Reserve restraint is expected to be exerted early in 1989 to prevent inflation from becoming a serious problem.

Other assumptions used in this forecast include the following:

a. Oil imports currently are expected to decline marginally in 1987 from 1986 before rebounding slighlty in 1988. This decline is permissible because of excessive inventory accumulations in 1986, when prices fell abruptly. Nevertheless, reduced production in the United States and some increase in consumption will require increased oil imports in the future. Prices of imported oil are expected to average $17.81 in 1987 and $19.68 in 1988. The current Persian Gulf concerns are expected to have no long-term impact upon oil prices.

b. A continuation of the current farm program of establishing world prices and then propping up farm income is expected. No significant changes in excise or income taxes were assumed over the forecast period. No significant trade restraint legislation was expected to be enacted.

c. Social security taxes are expected to rise to 7.51% in 1988. The wage base was assumed to be $45,200 in 1988 and $46,800 in 1989. The cost of living adjustment for social security recipients was expected to be 4.1% in the first quarter of 1988 and 4.4% in the first quarter of 1989.

d. World trade is expected to grow 4% in 1987 and in 1988.

e. No significant strike activity was anticipated.

CONCLUSION

Though the economy definitely is weakening in construction and the consumer has reduced spending as prices have intensified, improvement in inventory desires and in trade are sufficient to offset these areas of weakness. Moreover, consumer restraint has prevented inflationary pressures from intensifying unduly. Inflation is increasing but the consumer price index still only is expected to increase 4.3% in 1988.

Interest rates already reflect the increasing inflationary environment that is developing. As a result, no substantial further increases in interest rates are anticipated over the next two years. Nevertheless, the return to double-digit mortgage rates will slow housing activity to less than 1.6 million units in 1988.

These rolling adjustments, that have been occurring in the U.S. economy since the second half of 1984, will continue to preserve moderate economic expansion into 1989. In place of expenditures imbalances, a supply constraint probably will determine the next cyclical peak. A scarcity of skilled workers ultimately will create upward pressures upon wages and lead to rising inflationary pressures. A Federal Reserve response early in 1989 will prevent this wage inflation from becoming serious, but will also be the mechanism through which an economic downturn could develop in the second half of that year. In the meantime, the economic outlook appears brighter than it did three months ago. This means that lower unemployment rates and higher economic activity can be anticipated in the next two years than appeared likely only a short time ago.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

U.S. Expenditures for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

	1987				1988				1989		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
1. Personal Consumption Expenditures	2893.8	2944.0	2996.4	3037.5	3088.6	3136.7	3187.3	3241.8	3293.0	3347.0	6.5	6.0	6.6	2799.9	2967.9	3163.6
2. Autos and Parts	177.6	189.5	197.4	194.5	200.0	203.9	206.0	210.9	211.8	213.8	9.8	-2.7	8.1	195.0	189.8	205.2
3. Other Durable Goods	218.5	220.2	221.5	224.9	224.3	225.3	227.1	228.8	230.5	231.6	9.2	6.7	2.3	207.5	221.3	226.4
4. Nondurable Goods	969.9	977.0	988.5	1002.6	1018.9	1033.6	1048.3	1065.7	1080.4	1097.5	2.9	4.8	5.8	939.4	984.5	1041.6
5. Services	1527.7	1557.3	1589.0	1615.5	1645.4	1673.9	1705.9	1736.4	1770.3	1804.1	8.2	7.8	7.5	1458.1	1572.4	1690.4
6. Gross Private Domestic Investment	699.9	702.3	695.1	695.2	693.9	719.5	727.0	729.8	735.4	745.2	4.6	4.1	2.8	671.0	698.1	717.6
7. Residential Struct.	225.4	229.1	224.6	227.1	228.7	231.2	237.9	244.3	248.2	246.8	15.5	3.8	4.0	218.3	226.6	235.5
8. Other Structures	128.7	129.4	128.7	128.0	128.3	129.5	131.2	133.0	134.5	136.0	-9.9	-6.3	1.4	137.4	128.7	130.5
9. Producers' Durables	294.1	300.3	306.6	311.5	312.1	319.2	325.4	333.7	334.4	337.7	3.2	1.2	6.4	299.5	303.1	322.6
10. Change in Inventories	51.6	43.5	35.2	28.6	24.8	39.6	32.5	18.8	18.3	24.7	---	---	---	15.7	39.7	28.9
11. Net Export of Goods and Services	-112.2	-108.6	-107.1	-103.9	-96.1	-96.9	-88.9	-86.4	-82.9	-86.3	---	---	---	-105.5	-108.0	-92.1
12. Exports	397.3	413.3	429.7	438.1	449.6	457.4	473.2	483.8	495.3	505.1	1.7	11.5	11.1	376.2	419.6	466.0
13. Imports	509.5	521.9	536.8	542.0	545.7	554.3	562.1	570.2	578.2	591.4	7.2	9.5	5.8	481.7	527.6	558.1
14. Government Purchases of Goods and Services	896.2	911.2	939.5	948.4	966.6	977.0	991.0	1009.4	1029.4	1039.5	6.2	6.2	6.7	869.7	923.8	986.0
15. Federal	366.9	371.8	389.9	390.3	397.9	399.5	403.9	414.5	423.6	424.5	3.5	3.7	6.4	366.2	379.7	404.0
16. National Defense	287.5	292.7	299.2	299.9	308.4	314.0	318.6	322.2	329.5	333.9	7.2	6.1	7.1	277.9	294.8	315.8
17. Other	79.4	79.1	90.7	90.4	89.5	85.5	85.3	92.3	94.1	90.6	-6.6	-3.9	3.8	88.4	84.9	88.2
18. State and Local	529.3	539.4	549.6	558.1	568.7	577.5	587.1	594.9	605.8	615.0	8.3	8.1	7.0	503.5	544.1	582.1
19. Gross National Product	4377.7	4448.8	4523.9	4577.2	4653.0	4735.6	4816.4	4894.6	4974.9	5045.4	5.6	5.8	6.5	4235.0	4481.9	4774.9
20. Amount of Change	89.6	71.1	75.1	53.3	75.8	82.6	80.8	78.2	80.3	70.5	---	---	---	224.7	246.9	293.0
21. % Change*	8.6	6.7	6.9	4.8	6.8	7.3	7.0	6.7	6.7	5.8	---	---	---	5.6	5.8	6.5
22. % Real Change*	4.4	2.6	2.7	1.7	2.4	3.2	2.5	2.4	1.6	0.9	---	---	---	2.9	2.5	2.5
23. % Price Change*	4.2	3.8	4.1	2.9	4.2	4.1	4.4	4.2	5.0	4.9	---	---	---	2.6	3.2	3.9
24. Implicit Price Deflator	116.1	117.2	118.4	119.3	120.5	121.7	123.0	124.3	125.8	127.3	2.6	3.2	3.9	114.1	117.8	122.4
25. Change in Final Sales	31.4	79.3	83.4	59.9	79.6	67.8	87.9	91.9	80.8	64.1	---	---	---	---	---	---
26. GNP in 1982 Dollars	3772.2	3796.4	3821.5	3838.0	3860.6	3890.9	3915.3	3938.7	3953.6	3962.9	2.9	2.5	2.5	3713.3	3807.0	3901.4

Table 2.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

U.S. Real Expenditures for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

		1987				1988				1989		Percent Change			Annual		
		I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
1	Personal Consumption	2475.9	2488.7	2504.6	2516.8	2533.8	2544.1	2555.1	2569.9	2579.8	2591.2	4.2	1.9	2.2	2450.5	2496.5	2550.7
2	Durable Goods	375.9	386.2	391.5	390.4	392.8	394.5	395.1	398.3	398.0	397.9	8.7	0.7	2.4	383.5	386.0	395.2
3	Nondurable Goods	883.2	873.6	873.4	878.7	885.2	887.0	890.0	894.3	895.2	899.9	3.3	0.0	1.4	877.2	877.2	889.1
4	Services	1216.9	1228.9	1239.7	1247.7	1255.8	1262.6	1270.0	1277.3	1285.6	1293.4	3.4	3.7	2.7	1189.8	1233.3	1266.4
5	Gross Private Domestic Invest.	671.8	673.4	661.5	657.7	650.3	668.9	669.5	666.0	664.1	666.9	2.8	1.9	-0.4	654.0	666.1	663.7
6	Residential Structures	198.2	198.0	191.6	191.8	191.2	191.4	194.7	197.2	197.8	194.5	12.5	-0.8	-0.7	196.4	194.9	193.6
7	Other Structures	120.4	120.2	118.7	117.4	117.0	117.2	117.8	118.3	118.6	118.9	-12.8	-8.5	-1.3	130.3	119.2	117.6
8	Producers' Durables	305.6	314.1	319.7	323.1	321.4	326.4	329.7	335.0	332.7	333.4	2.9	0.7	4.0	313.5	315.6	328.1
9	Change in Inventories	47.6	41.2	31.5	25.4	20.7	33.9	27.3	15.5	15.0	20.1	---	---	---	13.8	36.4	24.4
10	Net Export of Goods and Services	-135.2	-127.8	-122.2	-114.5	-104.6	-102.7	-92.0	-87.7	-83.3	-85.4	---	---	---	-145.8	-124.9	-96.8
11	Exports	397.8	410.7	423.3	429.1	435.2	438.1	449.0	453.8	458.6	461.7	3.3	10.0	6.9	377.4	415.2	444.0
12	Imports	533.0	538.5	545.5	543.6	539.8	540.8	541.0	541.5	541.9	547.1	10.5	3.2	0.1	523.2	540.2	540.8
13	Gov't Purchases of Goods & Services	759.6	762.2	777.6	778.0	781.1	780.6	782.7	790.5	793.0	790.2	3.8	2.0	1.9	754.6	769.4	783.7
14	Federal	327.3	326.3	339.1	337.6	337.0	334.8	335.2	342.1	342.0	338.0	2.6	0.0	1.4	332.5	332.6	337.3
15	State & Local	432.3	435.9	438.5	440.4	444.1	445.8	447.5	448.4	451.0	452.2	4.8	3.5	2.2	422.1	436.8	446.5
16	Gross National Product	3772.2	3796.4	3821.5	3838.0	3860.6	3890.9	3915.3	3938.7	3953.6	3962.9	2.9	2.5	2.5	3713.3	3807.0	3901.4
17	Final Demand	3724.6	3755.2	3790.0	3812.6	3839.9	3857.0	3888.0	3923.2	3938.6	3942.8	2.8	1.9	2.8	3699.5	3770.6	3877.0
18	Private Domestic Product	3383.6	3409.2	3434.1	3448.6	3472.7	3502.4	3526.1	3547.4	3564.0	3571.8	4.1	2.9	2.7	3323.8	3418.9	3512.2

Table 3

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

Income Related U.S. GNP Components for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

		1987				1988				1989		Percent Change			Annual		
		I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
1.	Compensation of Employees	2589.9	2623.4	2658.4	2686.2	2735.0	2776.3	2821.1	2862.8	2914.9	2958.7	5.7	5.4	6.0	2504.9	2639.5	2798.8
2	Wage and Salary	2163.3	2191.6	2219.7	2244.1	2277.2	2312.8	2349.0	2384.9	2427.2	2463.7	5.8	5.5	5.7	2089.1	2204.7	2331.0
3	Manufacturing	477.2	478.9	483.6	487.0	490.7	496.8	502.2	508.0	513.0	518.2	2.3	2.4	3.7	470.6	481.7	499.4
4	Other Commodity-Producing Industries	155.7	156.0	156.4	157.4	157.0	159.2	162.6	165.7	167.4	168.9	3.5	2.4	3.0	152.8	156.4	161.1
5	Distributive Industries	511.5	519.2	523.7	528.9	537.4	546.7	554.9	563.8	571.8	580.4	6.2	3.7	5.7	502.1	520.8	550.7
6	Service Industries	606.7	619.4	632.1	643.3	655.9	668.0	681.0	695.6	711.9	726.9	10.3	9.0	8.0	573.9	625.4	675.1
7	Military	72.7	73.0	73.1	73.4	75.6	76.6	77.1	77.5	80.7	81.7	4.0	3.7	5.0	70.4	73.1	76.7
8	Civilian Government	339.5	345.1	350.8	354.1	360.6	365.5	371.2	374.3	382.4	387.8	6.7	7.1	5.9	324.4	347.4	367.9
9.	Supplements	426.6	431.9	438.7	442.1	457.8	463.5	472.1	477.9	487.7	494.8	5.0	4.6	7.6	415.8	434.8	467.8
10.	Proprietors Income	320.9	327.6	332.0	333.8	336.6	345.1	352.7	357.1	361.5	363.6	12.6	13.4	5.9	289.7	328.6	347.9
11.	Business & Professional	269.7	276.1	281.8	285.2	289.4	296.2	301.3	306.5	309.9	313.4	11.0	10.1	7.2	252.6	278.2	298.4
12	Farm	51.3	51.5	50.2	48.6	47.2	48.9	51.4	50.6	51.6	50.2	25.4	35.3	-1.7	37.3	50.4	49.5
13.	Rental Income	20.0	21.8	23.5	23.8	24.5	25.5	26.6	27.3	28.2	29.1	86.1	33.0	16.6	16.8	22.3	26.0
14	Net Interest	323.6	332.4	338.5	345.9	351.1	356.8	361.0	368.1	373.4	377.3	3.4	2.8	7.2	326.1	335.1	359.3
15.	Corporate Profits Adj	294.0	295.2	305.3	310.3	314.0	318.5	321.0	328.0	326.0	323.3	2.5	5.9	6.4	284.5	301.2	320.4
16	National Income	3458.3	3600.4	3657.7	3700.0	3761.2	3822.2	3882.4	3943.3	4004.0	4052.0	5.9	6.0	6.2	3422.0	3626.6	3852.3
17.	Indirect Business Tax	358.3	363.6	370.4	376.5	383.4	390.2	396.8	404.3	411.2	418.5	4.4	5.6	7.2	347.8	367.2	393.7
18	Capital Consumption Adj	-26.8	-29.7	-30.6	-30.4	-28.2	-26.1	-23.3	-19.8	-16.4	-13.4	---	---	---	-21.1	-29.4	-24.4
19	Capital Consumption Allw	496.6	502.8	508.7	515.3	522.8	529.6	538.1	546.2	554.7	562.1	3.2	5.9	5.6	477.7	505.9	534.2
20	Business Transfers	22.8	23.1	23.3	23.6	23.9	24.3	24.6	25.0	25.4	25.8	3.2	4.0	5.4	22.3	23.2	24.5
21	Net Govt. Subsidies	-19.3	-7.4	-5.3	-9.2	-11.2	-4.9	-2.1	-7.3	-8.1	-4.1	38.9	17.7	-38.1	-8.8	-10.3	-6.4
22	Statistical Discrepancy	-1.9	-4.0	-0.3	1.4	1.1	0.3	-0.1	2.9	4.1	4.5	---	---	---	-4.4	-1.2	1.1
23	Gross National Product	4377.7	4448.8	4523.9	4577.2	4653.0	4735.6	4816.4	4894.6	4974.9	5045.4	5.6	5.8	6.5	4235.0	4481.9	4774.9

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

Derivation of U.S. Personal Income for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

	1987				1988				1989		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
1. National Income	3548.3	3600.4	3657.7	3700.0	3761.2	3822.2	3882.4	3943.3	4004.0	4052.0	5.9	6.0	6.2	3422.0	3626.6	3852.3
2. Less: Corp. Profits Adj	294.0	295.2	305.3	310.3	314.0	318.5	321.0	328.0	326.0	323.3	2.5	5.9	6.4	284.5	301.2	320.4
3. Social Insurance	386.7	390.7	397.3	400.0	424.9	430.0	438.2	443.5	456.3	462.5	5.2	5.2	10.3	374.3	393.7	434.2
4. Plus: Gov't Transfers	510.9	518.5	524.0	528.4	541.4	545.4	551.1	554.6	566.8	572.8	5.9	4.9	5.3	496.1	520.5	548.1
5. Old Age, Survivors, etc	278.0	282.5	285.3	287.0	296.0	297.5	300.9	302.3	310.2	313.8	6.2	5.2	5.6	269.2	283.2	299.2
6. Unemployment Benefits	15.6	14.9	15.1	15.4	15.4	15.5	15.3	15.2	15.5	15.7	4.3	-7.0	0.7	16.4	15.3	15.4
7. Veterans' Benefits	16.6	16.8	16.6	16.5	16.9	17.1	16.9	16.7	17.0	17.1	0.4	-0.7	1.7	16.8	16.6	16.9
8. Employees' Retirement	73.9	75.8	77.1	78.3	79.5	81.2	82.6	83.8	85.0	86.4	5.4	7.4	7.2	71.1	76.3	81.8
9. A.F.D.C.	16.5	16.9	17.0	16.9	17.1	17.3	17.3	17.1	17.4	17.5	5.3	3.5	2.2	16.3	16.8	17.2
10. Other	110.3	111.6	112.9	114.3	116.5	116.8	118.1	119.5	121.7	122.3	8.3	5.5	4.9	106.4	112.3	117.7
11. Business Transfers	22.8	23.1	23.3	23.6	23.9	24.3	24.6	25.0	25.4	25.8	3.2	4.0	5.4	22.3	23.2	24.5
12. Interest Transfers	176.3	174.0	175.1	177.5	179.3	181.7	183.6	186.2	189.3	192.2	5.6	1.0	4.0	174.1	175.7	182.7
13. Personal Dividends	84.5	86.3	88.3	90.2	92.1	93.8	95.5	97.1	98.8	100.2	6.4	7.5	8.4	81.2	87.3	94.6
14. Equals: Personal Income	3662.0	3716.4	3765.8	3809.4	3859.0	3918.9	3978.0	4034.7	4102.0	4157.3	6.2	5.8	5.6	3534.3	3738.4	3947.7
15. Less: Personal Tax Payments	536.1	577.9	561.1	570.7	553.5	565.7	581.4	596.6	599.0	607.6	5.3	9.6	2.3	512.2	561.5	574.3
16. Equals: Disposable Personal Income	3125.9	3138.5	3204.7	3238.7	3305.5	3353.2	3396.6	3438.1	3503.0	3549.7	6.4	5.1	6.2	3022.1	3177.0	3373.4
17. Less: Consumption	2893.8	2944.0	2996.4	3037.5	3088.6	3136.7	3187.3	3241.8	3293.0	3347.0	6.5	6.0	6.6	2799.9	2967.9	3163.6
18. Less: Other Outlays	93.8	94.0	94.4	95.5	96.0	96.7	97.5	98.6	99.1	99.8	8.8	3.1	2.9	91.6	94.4	97.2
19. Equals: Personal Savings	138.4	100.6	113.9	105.7	120.9	119.8	111.8	97.7	110.9	102.9	2.7	-12.2	-1.8	130.6	114.7	112.6
20. Savings Rate (%)	4.4	3.2	3.6	3.3	3.7	3.6	3.3	2.8	3.2	2.9	-3.3	-16.7	-7.6	4.4	3.6	3.4

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

U.S. Federal Government Activity for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

	1987				1988				1989		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
1. Government Receipts	879.3	919.9	897.0	912.0	919.4	934.2	954.4	976.8	990.4	1000.9	4.9	9.0	4.9	827.4	902.1	946.2
2. Personal Tax & Non-Tax	381.5	415.6	349.4	403.2	384.5	393.6	406.2	418.4	418.1	423.2	4.7	6.7	3.4	363.0	387.4	400.7
3. Corporate Profits Tax	103.0	105.9	99.2	102.5	105.2	105.6	107.8	112.3	113.3	113.0	10.0	22.6	4.9	83.7	102.7	107.7
4. Indirect Business Tax	53.3	53.5	54.3	54.9	55.5	56.1	56.5	57.1	57.8	58.5	-7.8	6.1	4.3	50.9	54.0	56.3
5. Contributions for Social Security	341.5	344.9	348.6	351.4	374.2	378.9	383.9	389.0	401.2	406.2	6.2	5.1	10.1	329.8	346.6	381.5
6. Government Expenditures	1049.8	1052.0	1075.7	1086.9	1105.9	1111.3	1118.7	1140.9	1160.7	1168.3	4.8	3.3	5.0	1032.0	1066.1	1119.2
7. Purchases of Goods and Services	366.9	371.8	389.9	390.3	397.9	399.5	403.9	414.5	423.6	424.5	3.5	3.7	6.4	366.2	379.7	404.0
8. Defense	287.5	292.7	299.2	299.9	308.4	314.0	318.6	322.2	329.5	333.9	7.2	6.1	7.1	277.9	294.8	315.8
9. Durables	88.0	88.1	90.9	92.3	94.1	95.6	97.5	98.8	99.7	100.5	10.6	7.0	7.4	83.9	89.8	96.5
10. Nondurables	9.7	10.4	11.0	11.3	11.6	11.8	12.1	12.4	12.5	12.8	-6.9	-4.3	13.0	11.1	10.6	12.0
11. Military Compensation	72.7	73.0	73.1	73.4	75.6	76.6	77.1	77.5	80.7	81.7	4.0	3.7	5.0	70.4	73.1	76.7
12. Civilian Compensation	35.0	35.5	35.7	35.8	36.9	37.2	37.5	37.7	39.1	39.5	1.0	4.9	5.1	33.9	35.5	37.3
13. Other Services	74.8	78.6	81.2	79.9	82.8	85.3	86.9	88.2	89.9	91.6	11.9	9.3	9.1	71.9	78.6	85.8
14. Structures	7.2	7.1	7.3	7.2	7.4	7.5	7.5	7.6	7.6	7.8	9.1	8.7	4.2	6.6	7.2	7.5
15. Nondefense	79.4	79.1	90.7	90.4	89.5	85.5	85.3	92.3	94.1	90.6	-6.6	-3.9	3.8	88.4	84.9	88.2
16. Durables	4.2	4.1	4.1	4.2	4.2	4.3	4.3	4.4	4.4	4.4	5.8	0.6	3.6	4.1	4.2	4.3
Nondurables	2.0	0.5	5.7	11.6	8.9	4.2	3.6	10.0	9.9	5.7	---	---	---	11.3	5.0	6.7
17. CCC Inventory Change	-4.5	-5.1	-0.2	5.6	2.8	-1.9	-2.6	3.7	3.6	-0.7	---	---	---	5.3	-1.1	0.5
18. Other Nondurables	5.6	5.7	5.9	6.0	6.1	6.1	6.2	6.3	6.3	6.4	-6.0	-2.1	6.5	5.9	5.8	6.2
19. Compensation	41.0	41.6	41.8	42.0	43.5	43.8	44.3	44.4	46.1	46.6	0.8	5.0	5.8	39.6	41.6	44.0
20. Other Services	25.2	25.1	25.6	25.3	25.7	25.9	26.0	26.2	26.3	26.5	-0.5	-5.2	2.6	26.7	25.3	26.0
21. Structures	7.0	7.7	7.8	7.3	7.2	7.3	7.1	7.3	7.4	7.4	-3.9	10.8	-3.0	6.7	7.5	7.2
22. Transfer Payments	406.7	414.5	418.6	421.7	429.5	435.2	438.5	440.9	447.7	453.9	5.2	3.9	5.0	400.0	415.4	436.0
23. Grants-in-Aid to State and Local Governments	102.2	103.6	104.2	104.9	103.6	105.2	105.9	107.0	106.6	107.8	7.1	-2.9	1.6	106.8	103.7	105.4
24. Net Interest Paid	139.5	139.7	142.6	145.7	148.4	151.2	152.9	155.8	159.2	162.5	4.2	4.6	7.2	135.7	141.9	152.1
25. Deficit of Government Enterprises	34.3	22.4	20.4	24.3	26.5	20.2	17.5	22.7	23.6	19.6	13.8	8.7	-14.3	23.1	25.3	21.7
26. Federal Surplus	-170.5	-132.1	-178.7	-174.9	-186.5	-177.1	-164.3	-164.1	-170.3	-167.4	---	---	---	-204.7	-164.1	-173.0
27. Federal Debt Held by Individuals	1614.6	1643.7	1690.4	1715.2	1751.9	1790.5	1834.4	1856.0	1886.4	1925.6	15.0	9.1	8.5	1523.8	1666.0	1808.2
28. Total Government Surplus	-129.5	-89.2	-133.7	-131.7	-144.3	-135.3	-120.7	-116.6	-124.4	-121.7	---	---	---	-147.8	-121.0	-129.2

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

Selected Economic Variables of the U.S. Economy for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

	1987				1988				1989		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
Private Economy																
1. Change in Private Hourly Wage Costs	1.2	2.9	3.2	2.6	4.9	4.1	4.7	4.0	5.0	4.6	4.0	2.8	3.9	13.54	13.92	14.47
2. Change in Output Per Worker Hour	0.1	1.0	0.7	0.2	0.5	1.3	0.6	0.2	-0.1	-0.6	2.3	0.6	0.7	21.829	21.964	22.108
3. Change in Implicit Unit Labor Costs	1.1	2.0	2.5	2.4	4.4	2.8	4.1	3.8	5.1	5.3	1.7	2.2	3.2	0.620	0.634	0.654
4. Change in Private Price Deflator	3.7	3.8	4.2	3.0	3.8	4.0	4.4	4.4	4.5	4.9	2.1	3.0	3.9	1.130	1.164	1.209
Prices																
5. Consumer Price Index	334.5	338.8	342.5	345.5	348.7	353.0	357.1	361.0	365.2	369.9	1.9	3.6	4.3	328.4	340.3	355.0
6. Industrial Commod (Producer Price Index)	314.8	318.7	321.8	323.6	327.6	331.0	334.2	337.7	342.2	346.4	-3.6	2.4	4.0	312.1	319.7	332.6
Corporate Economy																
7. After Tax Profit	129.0	135.0	144.1	147.0	150.3	155.7	155.9	160.4	160.1	162.9	-1.0	9.4	12.1	126.9	138.8	155.6
8. Inventory Profits	-11.3	-18.5	-10.6	-11.9	-15.4	-14.2	-12.7	-14.2	-17.4	-19.2	---	----	---	6.6	-13.1	-14.1
9. Genuine Profits	166.0	165.3	181.8	182.7	181.1	186.5	186.7	188.0	182.9	182.4	-5.0	-3.0	6.7	179.4	174.0	185.6
10. Mean Closing Dow Jones	2186.7	2325.9	2643.2	2356.4	2443.5	2285.3	2461.5	2184.3	2095.4	1973.5	35.0	32.6	-1.4	1792.8	2378.0	2343.7
11. Mean Closing NY Composite	159.28	165.49	176.65	170.25	172.46	167.46	174.72	170.32	169.35	163.22	25.9	23.4	2.0	136.0	167.9	171.2
Financial																
12. Monetary Base	259.5	263.0	265.5	270.8	276.4	281.7	286.8	291.8	296.5	301.2	7.9	8.2	7.4	244.7	264.7	284.2
13. Checkable Deposits	551.0	560.1	557.8	567.3	580.2	593.4	602.9	610.6	622.7	624.3	15.6	12.8	6.7	495.7	559.0	596.8
14. M1	738.0	750.1	750.8	763.1	779.4	796.1	809.1	820.5	836.1	841.3	13.3	11.5	6.8	673.2	750.5	801.3
15. Velocity of M1	5.890	5.893	5.989	5.961	5.934	5.914	5.919	5.932	5.917	5.964	-6.2	-5.1	-0.1	6.250	5.933	5.925
16. M2	2822.7	2840.8	2868.1	2913.6	2967.5	3020.2	3072.4	3122.6	3175.1	3220.9	7.9	6.7	6.4	2681.6	2861.3	3045.7
17. Velocity of M2	1.540	1.556	1.568	1.561	1.559	1.559	1.559	1.559	1.558	1.558	-1.6	-0.7	0.2	1.567	1.556	1.559
18. Federal Funds	6.22	6.65	6.62	6.65	6.34	6.63	6.61	7.03	7.16	7.83	-16.0	-4.0	1.8	6.81	6.54	6.65
19. Prime Rate	7.50	8.05	8.25	8.25	8.25	8.25	8.25	8.46	8.50	8.82	-16.1	-3.9	3.6	8.33	8.01	8.30
20. 6 Month T-Bills	5.54	5.98	5.87	5.93	5.72	6.01	5.93	6.17	6.15	6.61	-21.1	-3.3	2.2	6.03	5.83	5.96
21. Seasoned AAA Corp	8.37	9.16	9.47	9.56	9.27	9.48	9.21	9.46	9.37	9.82	-20.7	1.3	2.4	9.02	9.14	9.36
22. FHA Mortgage Rates	9.14	10.32	10.23	10.31	10.08	10.36	10.15	10.49	10.52	10.65	-18.3	-1.7	2.7	10.18	10.00	10.27
Miscellaneous																
23. Housing Starts	1795	1612	1606	1623	1564	1600	1592	1614	1586	1551	4.9	-9.5	-4.0	1833	1659	1593
24. Single Family Starts	1256	1140	1117	1135	1097	1126	1109	1143	1102	1061	10.0	-2.3	-3.7	1190	1162	1119
25. Unit Auto Sales	9.40	10.10	10.43	10.06	10.31	10.43	10.35	10.52	10.41	10.36	4.4	-13.9	4.1	11.62	10.00	10.40
26. Civilian Employment	111.254	112.180	112.762	113.292	113.970	114.595	115.134	115.766	116.374	116.905	2.3	2.5	2.2	109.598	112.372	114.866
27. Unemployment Rate	6.7	6.2	6.2	6.3	6.2	6.2	6.1	6.0	5.9	5.8	-2.8	-9.2	-3.5	7.0	6.4	6.1
28. Industrial Production	127.0	127.8	129.0	129.8	130.9	132.0	133.2	134.2	134.0	133.7	0.6	2.7	3.2	125.1	128.4	132.6
29. Asset-Consumption Ratio	4.503	4.483	4.527	4.442	4.429	4.348	4.387	4.303	4.265	4.165	6.6	4.6	-2.7	4.292	4.489	4.367

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

U. S. Foreign Trade Accounts for 1985 and 1986 with Forecasts for 1987 through 1988

	1985	1986	1987	1988	Percent Change 85-86	86-87	87-88
Exports of U.S. Merchandise	212796	217393	244274	276380	2.2	12.4	13.1
Food & Live Animals	19268	17303	18601	21850	-10.2	7.5	17.5
Beverages & Tobacco	2958	2920	3586	3738	-1.3	22.8	4.2
Crude Materials	16939	17324	19039	20380	2.3	9.9	7.0
Mineral Fuels	9971	8115	7935	9648	-18.6	-2.2	21.6
Animal & Vegetable Oils	1434	1015	805	955	-29.2	-20.7	18.7
Chemicals	21759	22766	27984	32475	4.6	22.9	16.0
Manufactured Goods	14009	14005	17331	20435	-0.0	23.8	17.9
Machinery, Trans. Equipment	93939	95289	105609	115653	1.4	10.8	9.5
Miscellaneous Manufacturing	15338	16718	20211	23443	9.0	20.9	16.0
Commodities, n.e.c.	10960	11011	14137	17065	0.5	28.4	20.7
Foreign Merchandise	6221	10928	9037	10740	75.7	-17.3	18.8
Imports of Merchandise	361626	387089	409441	426540	7.0	5.8	4.2
Food & Live Animals	20292	22395	22079	22670	10.4	-1.4	2.7
Beverages & Tobacco	4124	4226	4340	4343	2.5	2.7	0.1
Crude Materials	11167	11176	12473	13858	0.1	11.6	11.1
Mineral Fuels	55843	39838	42712	47917	-28.7	7.2	12.2
Animal & Vegetable Oils	730	581	534	603	-20.4	-8.1	12.9
Chemicals	15321	15812	16892	17995	3.2	6.8	6.5
Manufactured Goods	49500	51700	54378	56293	4.4	5.2	3.5
Machinery, Trans. Equipment	141721	166240	178411	182190	17.3	7.3	2.1
Miscellaneous Manufacturing	51684	60079	64881	66623	16.2	8.0	2.7
Commodities, n.e.c.	11245	15042	12741	14050	33.8	-15.3	10.3
Foreign Transactions							
Total Exports	369.9	376.2	419.6	466.0	1.7	11.5	11.1
Merchandise Exports	220.8	224.9	253.8	285.9	1.8	12.8	12.7
Factor Income	89.0	86.1	90.9	99.8	-3.3	5.6	9.8
Other Services	60.2	65.2	75.0	80.3	8.3	15.0	7.2
Total Imports	449.2	481.7	527.6	558.1	7.2	9.5	5.8
Merchandise Imports	341.0	367.5	398.3	415.5	7.8	8.4	4.3
Factor Income	49.2	52.4	62.2	72.2	6.4	18.8	16.2
Other Services	58.9	61.9	67.0	70.3	5.0	8.4	4.9
Transfer	15.4	15.7	14.6	15.8	2.1	-7.2	8.0
Government Interest	21.3	22.6	26.2	31.2	6.0	15.9	19.2
Net Foreign Investment	-115.9	-143.9	-148.8	-139.1	---	---	---
Trade Weighted Value of Dollar (3/73=100)	143.3	112.3	98.0	94.6	-21.6	-12.7	-3.5

Table 8. Economic Forecasting Center August 1987

Implicit Price Deflators for Personal Consumption Expenditures for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

	1987				1988				1989		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
Durable Goods	105.4	106.1	107.0	107.4	108.0	108.8	109.6	110.4	111.1	111.9	0.4	1.5	2.6	104.9	106.5	109.2
% Change	0.6	2.7	3.5	1.6	2.2	2.9	3.1	2.9	2.7	2.9						
Automobiles	112.3	113.9	115.1	116.3	116.8	118.0	119.2	120.5	121.6	122.9	2.4	3.2	3.7	110.9	114.4	118.6
% Change	0.2	5.6	4.4	4.3	1.7	4.1	4.2	4.2	3.8	4.3						
Furniture	96.4	95.7	96.0	95.7	95.6	95.5	95.6	95.2	95.3	95.3	-2.6	-0.8	-0.5	96.7	95.9	95.5
% Change	4.0	-2.9	1.3	-1.3	-0.3	-0.3	0.3	-1.6	0.3	0.1						
Other Durables	109.2	110.5	111.2	112.2	113.5	114.8	116.3	118.0	119.5	121.0	1.4	3.4	4.4	107.1	110.8	115.7
% Change	4.7	5.1	2.3	3.9	4.7	4.7	5.3	5.9	5.3	5.1						
Nondurables	109.8	111.8	113.2	114.1	115.1	116.5	117.8	119.2	120.6	122.0	-0.4	4.8	4.4	107.1	112.2	117.1
% Change	8.9	7.6	4.9	3.3	3.6	5.0	4.4	4.8	4.7	4.7						
Food	115.0	116.6	117.8	118.9	120.0	121.3	122.6	124.0	125.3	126.6	3.3	4.6	4.2	111.9	117.1	122.0
% Change	2.6	5.4	4.3	3.8	3.8	4.4	4.4	4.6	4.2	4.2						
Apparel	108.5	112.8	112.2	112.6	113.2	114.3	115.0	116.0	117.2	118.3	-0.3	5.2	2.8	106.0	111.5	114.6
% Change	5.4	16.9	-2.1	1.6	2.1	4.0	2.5	3.3	4.2	4.0						
Gasoline & Oil	76.0	78.9	82.5	83.0	83.9	85.9	87.4	89.0	90.8	92.6	-21.6	6.4	8.1	75.3	80.1	86.5
% Change	67.8	16.3	19.6	2.6	4.4	9.8	7.0	7.8	8.4	8.1						
Fuel Oil	73.3	75.1	77.1	78.2	78.8	80.3	81.6	83.6	85.0	86.4	-19.1	1.2	6.8	75.0	75.9	81.1
% Change	37.6	10.1	10.8	5.9	3.2	7.7	6.8	10.4	6.5	7.1						
Other Nondurables	122.8	124.3	125.6	126.8	128.0	129.4	130.8	132.2	133.6	135.2	3.6	4.3	4.2	119.8	124.9	130.1
% Change	5.2	4.7	4.4	3.9	3.7	4.4	4.4	4.4	4.4	4.9						
Services	125.5	126.7	128.2	129.5	131.0	132.6	134.3	135.9	137.7	139.5	4.5	4.0	4.7	122.5	127.5	133.5
% Change	4.2	3.8	4.7	4.1	4.9	4.8	5.4	4.9	5.3	5.3						
Housing	128.4	129.8	131.2	132.7	134.4	136.1	137.9	139.7	141.6	143.5	5.9	4.6	5.0	124.8	130.5	137.0
% Change	4.0	4.4	4.3	4.6	5.2	5.1	5.4	5.3	5.6	5.5						
Electricity & Gas	111.9	111.3	112.6	112.3	113.0	113.3	115.1	115.9	116.9	118.0	-0.6	-1.8	2.0	114.0	112.0	114.3
% Change	-0.1	-1.9	4.8	-1.3	2.6	1.2	6.5	2.7	3.5	4.0						
Household Operations	123.7	124.6	125.8	126.5	127.8	128.9	130.3	131.5	133.0	134.5	4.9	2.5	3.6	122.1	125.2	129.6
% Change	2.2	3.0	3.7	2.4	4.0	3.8	4.3	3.8	4.5	4.5						
Transportation	117.5	119.2	120.7	122.2	124.1	125.8	127.7	129.8	132.3	134.1	2.9	6.4	5.8	112.7	119.9	126.9
% Change	12.2	5.8	5.2	5.2	6.2	5.6	6.3	6.7	7.7	5.6						
Medical Care	130.8	131.9	133.6	135.2	137.0	138.8	140.8	142.7	145.7	146.8	4.1	4.7	5.2	126.9	132.9	139.8
% Change	6.5	3.1	5.4	4.9	5.4	5.3	6.0	5.5	8.6	3.1						
Other Services	124.1	125.4	126.9	128.2	129.6	131.1	132.6	134.0	135.5	137.1	4.6	3.9	4.5	121.4	126.2	131.8
% Change	2.9	4.3	4.7	4.2	4.4	4.7	4.7	4.3	4.5	4.8						
Personal Consump Exp	116.9	118.3	119.6	120.7	121.9	123.3	124.7	126.1	127.6	129.2	2.2	4.1	4.3	114.2	118.9	124.0
% Change	6.0	4.9	4.5	3.7	4.0	4.7	4.6	4.6	4.8	5.1						
Consumer Price Index	334.5	338.8	342.5	345.5	348.7	353.0	357.1	361.0	365.2	369.9	1.9	3.6	4.3	328.4	340.3	355.0
% Change	4.5	5.2	4.4	3.5	3.8	5.0	4.7	4.4	4.7	5.2						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

Implicit Price Deflators with Annual Percentage Changes for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

	1987				1988				1989		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
GNP Deflator	116.1	117.2	118.4	119.3	120.5	121.7	123.0	124.3	125.8	127.3	2.6	3.2	3.9	114.1	117.8	122.4
% Change	4.2	3.8	4.2	3.1	4.1	4.0	4.3	4.3	4.9	4.9						
Personal Cons. Exp.	116.9	118.3	119.6	120.7	121.9	123.3	124.7	126.1	127.6	129.2	2.2	4.1	4.3	114.2	118.9	124.0
% Change	6.0	4.9	4.5	3.7	4.0	4.7	4.6	4.6	4.8	5.1						
Private Domestic Investment	104.2	104.3	105.1	105.7	106.7	107.6	108.6	109.6	110.7	111.7	0.5	2.1	3.1	102.6	104.8	108.1
% Change	-1.7	0.4	3.1	2.4	3.8	3.3	3.9	3.7	4.3	3.7						
Structures	106.9	107.7	108.4	109.0	109.7	110.5	111.4	112.4	113.4	114.4	3.4	2.3	2.8	105.6	108.0	111.0
% Change	0.8	3.0	2.6	2.2	2.6	2.9	3.3	3.6	3.6	3.6						
Producers' Durables	96.3	95.6	95.9	96.4	97.1	97.8	98.7	99.6	100.5	101.3	0.3	0.5	2.3	95.5	96.1	98.3
% Change	0.0	-2.9	1.3	2.1	2.9	2.9	3.7	3.7	3.7	3.2						
Residential Structures	113.7	115.7	117.2	118.4	119.6	120.8	122.2	123.9	125.5	126.9	2.7	4.6	4.6	111.1	116.3	121.6
% Change	5.5	7.2	5.3	4.2	4.1	4.1	4.7	5.7	5.3	4.5						
Exports	99.9	100.6	101.5	102.1	103.3	104.4	105.4	106.6	108.0	109.4	-1.6	1.3	3.9	99.7	101.0	104.9
% Change	5.0	2.8	3.6	2.4	4.8	4.3	3.9	4.6	5.4	5.3						
Imports	95.6	96.9	98.4	99.7	101.1	102.5	103.9	105.3	106.7	108.1	-2.8	6.0	5.7	92.1	97.7	103.2
%Change	13.6	5.6	6.3	5.4	5.7	5.7	5.6	5.5	5.4	5.4						
Federal	112.1	113.9	115.0	115.5	118.1	119.3	120.5	121.2	123.9	125.6	0.9	3.6	4.9	110.2	114.2	119.8
% Change	20.5	6.6	3.9	2.1	8.9	4.1	4.1	2.3	9.2	5.6						
Federal Purchases	107.0	108.9	110.6	111.3	113.0	114.2	115.6	116.6	117.9	119.8	-0.2	3.3	4.9	106.0	109.5	114.9
% Change	26.0	7.3	6.4	2.6	6.3	4.3	5.0	3.5	4.5	6.6						
Federal Value Added	121.3	122.2	122.7	123.0	126.9	128.1	128.9	129.2	134.4	135.7	2.3	4.2	4.9	117.4	122.3	128.3
% Change	12.8	3.0	1.6	1.0	13.3	3.8	2.5	0.9	17.1	3.9						
State & Local	122.4	123.7	125.3	126.7	128.1	129.5	131.2	132.7	134.3	136.0	3.4	4.4	4.7	119.3	124.5	130.4
% Change	4.0	4.3	5.3	4.5	4.5	4.4	5.4	4.7	4.9	5.2						
State & Local Purchases	111.5	112.2	113.4	114.7	116.0	117.4	118.9	120.3	121.9	123.5	0.1	2.6	4.6	110.1	113.0	118.2
% Change	4.4	2.5	4.3	4.7	4.6	4.9	5.2	4.8	5.4	5.4						
State & Local Value Added	131.3	133.2	135.1	136.6	138.1	139.6	141.4	143.0	144.7	146.5	5.9	6.0	4.8	126.5	134.1	140.5
% Change	4.7	5.9	5.8	4.5	4.5	4.4	5.3	4.6	4.8	5.1						

Table 10.

Georgia State University
College of Business Administration
Economic Forecasting Center
August 1987

Consumption Details for 1987-I and 1987-II with Forecasts for 1987-III through 1989-II

	1987				1988				1989		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	85-86	86-87	87-88	1986	1987	1988
CURRENT DOLLARS																
Durable Goods	396.1	409.7	418.9	419.4	424.3	429.2	433.1	439.7	442.3	445.4	9.1	2.1	5.0	402.4	411.0	431.6
Motor Vehicles & Parts	177.6	189.5	197.4	194.5	200.0	203.9	206.0	210.8	211.8	213.8	9.8	-2.7	8.1	195.0	189.8	205.2
Furniture	146.0	145.8	145.9	146.0	145.4	144.8	145.2	145.0	145.5	145.9	8.7	4.3	-0.6	139.9	145.9	145.1
Other	72.5	74.4	75.6	78.9	78.9	80.5	81.9	83.8	85.0	85.7	8.3	11.5	7.9	67.6	75.4	81.3
Nondurable Goods	969.9	977.0	988.5	1002.6	1018.9	1033.6	1048.3	1065.7	1080.4	1097.5	2.9	4.8	5.8	939.4	984.5	1041.6
Food	514.8	511.6	517.4	524.8	533.8	541.4	549.5	557.9	566.1	575.0	5.3	3.9	5.5	497.8	517.2	545.7
Clothing & Shoes	174.0	175.4	176.7	176.6	178.1	180.3	182.2	185.9	186.9	189.8	6.6	4.9	3.4	167.5	175.7	181.6
Gas & Oil	75.8	79.9	81.5	83.1	85.0	86.5	87.8	89.2	91.1	92.7	-18.7	6.4	8.8	75.3	80.1	87.1
Fuel Oil & Coal	15.4	16.6	16.8	17.2	17.1	17.1	17.3	17.9	18.1	18.5	-8.6	3.1	5.2	16.0	16.5	17.4
Other	189.8	193.5	196.1	200.9	204.9	208.3	211.6	214.8	218.2	221.5	5.7	6.7	7.6	182.8	195.1	209.9
Services	1527.7	1557.3	1589.0	1615.5	1645.4	1673.9	1705.9	1736.4	1770.3	1804.1	8.2	7.8	7.5	1458.1	1572.4	1690.4
Housing	456.3	464.4	472.5	479.6	488.8	498.1	507.9	517.7	528.0	538.6	8.6	7.2	7.5	436.9	468.2	503.1
Household Operations Gas & Electric	84.8	84.5	88.2	88.8	89.7	90.3	92.3	93.5	94.9	96.3	-1.5	-1.2	5.6	87.6	86.6	91.5
Household Operations Other	91.8	93.6	94.7	95.9	97.1	98.0	99.3	100.5	102.0	103.4	5.9	3.4	5.0	90.9	94.0	98.7
Transportation	102.1	105.1	107.9	109.9	112.3	114.6	117.0	119.3	122.2	124.4	9.8	9.2	9.0	97.3	106.3	115.8
Medical Care	338.5	348.1	355.8	363.6	371.4	378.9	387.1	395.0	406.3	412.5	9.7	9.9	9.0	319.8	351.5	383.1
Other	454.3	461.6	469.9	477.7	486.1	494.0	502.3	510.4	519.6	528.9	9.5	8.9	6.9	427.7	465.9	498.2
CONSTANT DOLLARS																
Durable Goods	375.9	386.2	391.5	390.4	392.8	394.5	395.1	398.3	398.0	397.9	8.7	0.7	2.4	383.5	386.0	395.2
Motor Vehicles & Parts	158.1	166.4	171.5	167.2	171.2	172.8	172.8	175.0	174.2	174.0	7.4	-5.6	4.3	175.7	165.8	173.0
Furniture	151.5	152.4	152.0	152.6	152.1	151.6	151.9	152.3	152.7	153.1	11.2	5.1	-0.1	144.8	152.1	152.0
Other	66.4	67.3	68.0	70.3	69.5	70.1	70.4	71.0	71.1	70.8	7.1	7.8	1.1	63.1	68.0	68.8
Nondurable Goods	883.2	873.6	873.4	878.7	885.2	887.0	890.0	894.3	896.2	899.9	3.3	0.0	1.4	877.2	877.2	889.1
Food	447.5	438.9	439.2	441.4	444.8	446.3	448.1	449.9	451.8	454.2	1.9	-0.7	1.3	444.9	441.8	447.3
Clothing & Shoes	160.4	155.5	157.5	156.8	157.3	157.7	158.4	160.3	159.5	160.4	6.8	-0.3	0.6	158.0	157.6	158.4
Gas & Oil	99.8	101.3	98.8	100.1	101.3	100.7	100.5	100.2	100.3	100.1	3.9	-0.2	0.7	100.3	100.0	100.7
Fuel Oil & Coal	21.0	22.1	21.8	22.0	21.7	21.3	21.2	21.4	21.3	21.4	13.5	1.3	-1.5	21.5	21.7	21.4
Other	154.5	155.7	156.1	158.4	160.1	161.0	161.8	162.5	163.3	163.8	2.1	2.3	3.3	152.6	156.2	161.4
Services	1216.9	1228.9	1239.7	1247.7	1255.8	1262.6	1270.0	1277.3	1285.6	1293.4	3.4	3.7	2.7	1189.8	1233.3	1266.4
Housing	355.3	357.7	360.1	361.4	363.7	366.0	368.3	370.6	372.9	375.3	2.6	2.5	2.4	350.0	358.6	367.2
Household Operations Gas & Electric	75.8	75.9	78.3	79.1	79.4	79.7	80.2	80.7	81.2	81.6	-0.7	0.6	3.5	76.8	77.3	80.0
Household Operations Other	74.2	75.1	75.3	75.8	76.0	76.0	76.2	76.4	76.7	76.9	1.2	0.9	1.4	74.5	75.1	76.2
Transportation	86.9	88.2	89.4	89.9	90.5	91.1	91.6	91.9	92.4	92.8	4.3	4.9	3.0	84.4	88.6	91.3
Medical Care	258.7	264.0	266.3	268.9	271.1	273.0	274.9	276.8	278.9	281.0	4.6	5.0	3.6	251.9	264.5	274.0
Other	366.0	368.0	370.3	372.6	375.1	376.8	378.8	380.9	383.5	385.8	4.7	4.8	2.3	352.3	369.2	377.9

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